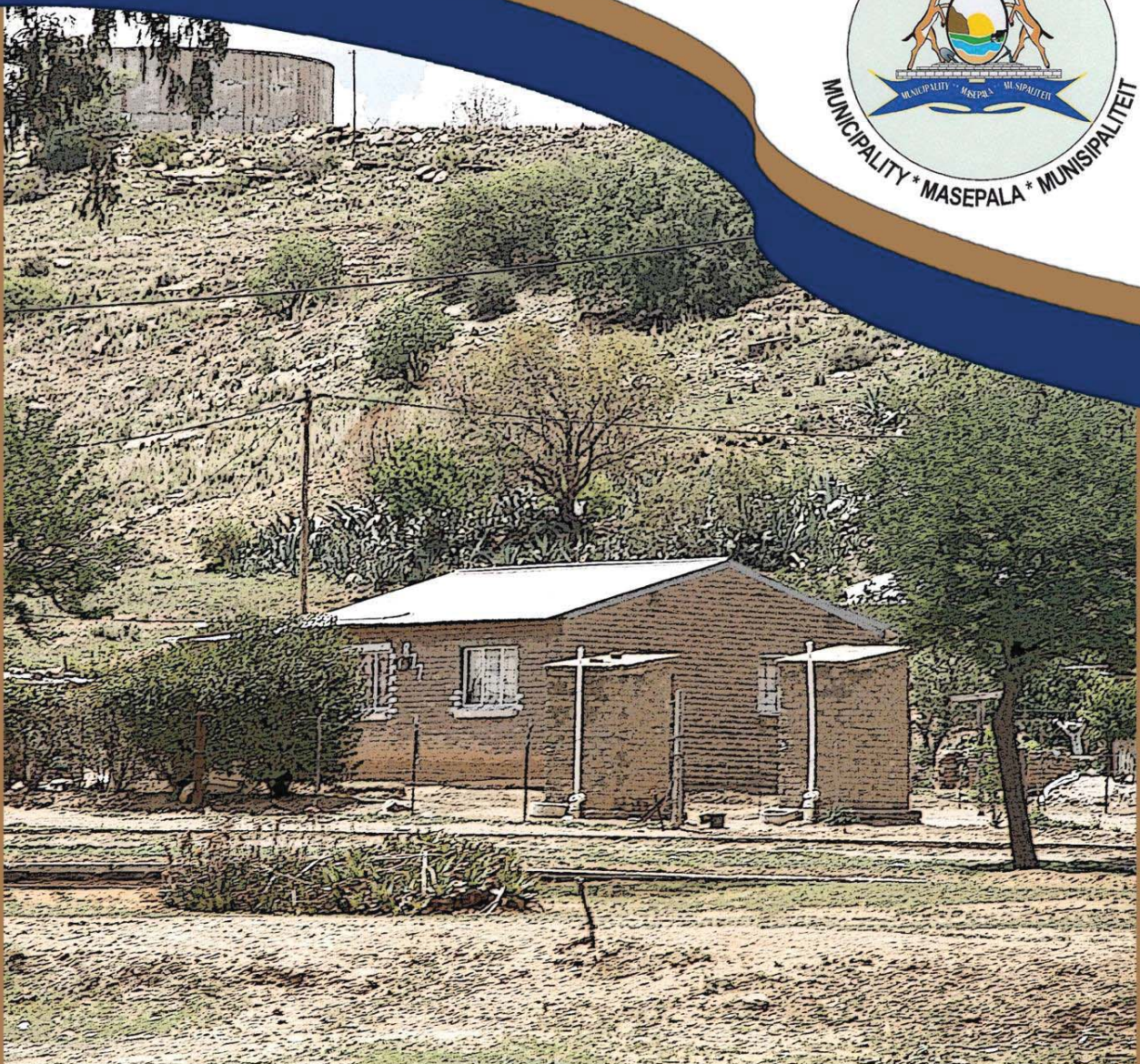


# **Naledi Local Municipality**

## Annual Report 2012-2013 Financial Year



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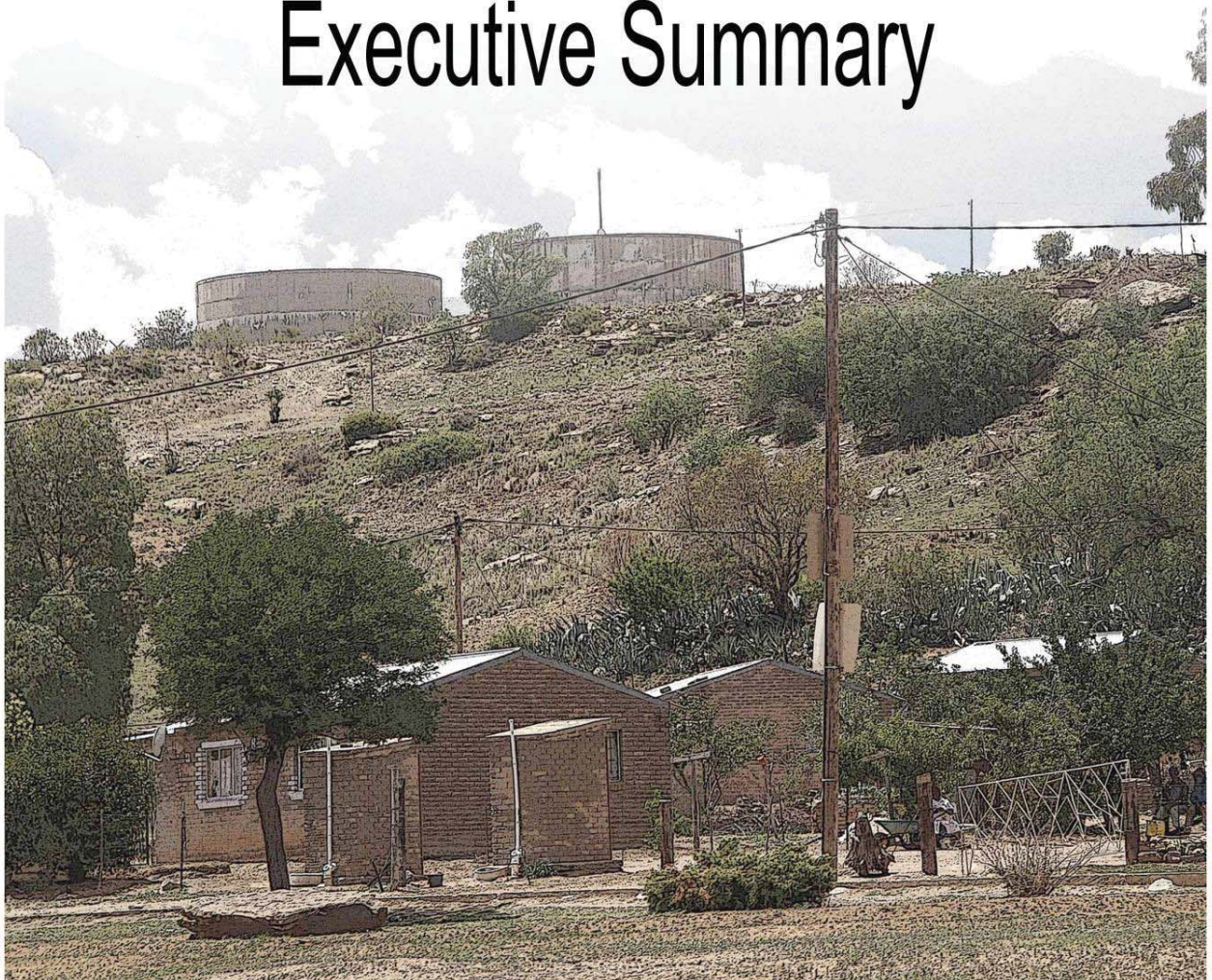
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# Chapter 1

## Mayor's Foreword and Executive Summary



## Component A: Mayor's Foreword

Dear community of Naledi, It is my pleasure to present to you the developments made by the municipality during the 2012/2013 financial year. Because development is about people, there are consistent developments in our townships as planned by the community, stakeholders and parastatals.

It is further worth noting that the Municipality has adopted the Integrated Development Planning for 2012 – 2017, which forms the basis of our planning and reporting.

Not only is the Annual Report a compliance matter but also to ensure that our people are on board with the developments and achievements within the Municipality. I would like to inform all the stakeholders that our priorities remains unchanged, precisely because issues of water, sanitation, electricity, roads, housing, economic development, disaster management, environmental management, and many more needs to be addressed as such.



Our **vision** statement: "A constantly progressive municipality where quality services and a healthy and safe environment empower the harmonised community to develop their own economic security in a sustainable local future for all", clearly emphasise the importance of quality service delivery as well as sustainable economic development. We aim to achieve this through our **mission**, which is: "To work as a committed team towards achieving the municipality's objectives by means of the following:

- Ensure effective communication and consultation between all stakeholders
- Improve our capacity in terms of resources
- Absolute commitment towards the implementation of our plans, programmes and strategies
- Strengthening our institutional capacity
- Develop a clear understanding, interpretation and implementation of Local Government Legislation and Policies."
- Ensure proper accountability relating to clear roles and responsibilities

The above stated vision and mission will be attained through the following set of core values.

- Democratic values
- Good governance
- Transparency
- Honesty
- Trust
- Equity
- Commitment
- Accountability
- Professional approach

We, as a municipality is driven by a set of key priority areas as reflected in the Integrated Development Plan that determine our overall agenda. Objectives are set for these priority areas, which are as follow:

- 1 Water
- 2 Sanitation
- 3 Electricity
- 4 Roads and Storm water
- 5 Municipal/Community & Sport Facilities
- 6 Housing and Land
- 7 Local Economic Development
- 8 Education
- 9 Waste Management
- 10 Health
- 11 Safety and security
- 12 Social Welfare
- 13 Environmental Management and Conservation

### **Key Policy Developments**

Within the context of the above-mentioned vision, we are especially proud about the following achievements that we have managed to realise during 2012/13.

During 2012/2013 the following policies were developed and or reviewed:

- Indigent policy
- Credit control policy
- Asset policy
- Tarrif policy
- Banking and investment policy
- Debt collection policy
- Bad debts and write off policy
- External loan policy
- Induction policy
- Virement policy



## **Public Participation**

Our Municipality involve our communities in our affairs by means of public advertisements of our Integrated Development Plan and Service Delivery and Budget Implementation Plan, as well as our performance plans, with specific reference to the Annual Report. We also advertise the activities of the Oversight Report and invite participation from our communities.

Our community also participate through the structures of the IDP Representative Forum and the annual IDP and budget road shows that we conduct annually.

We also conduct public engagement session when major new (or reviewed) by-laws, policies, strategic or sector plans and strategies are considered.

## **Remaining Challenges**

- **Office of the Municipal Manager**
  - Development of a Communication Strategy
  - Implementation of the Performance Management System
  - Review of the Performance Management Policy
- **Department Financial Services**
  - Asset management register to be uploaded in the financial system
  - Risk management policy and strategy to receive attention.
  - Fraud prevention plan to receive attention.
- **Department Corporate and Social Services**
  - All Municipal vehicles are not roadworthy.
  - The municipality doesn't have fleet policy.
  - Supervisors and the drivers are not complying with the internal measurers. (Trip authority, log books etc.)
  - Illegal dumping
- **Department Technical Services**
  - Appointment of staff

## **Future Actions**

Our immediate future priorities to improve our services will be as follows:

- Fleet policy to be developed.
- Vehicles to be registered as soon as possible due to the accumulation of debt on a monthly basis.
- Review of the Performance Management Policy and implementation of the Performance Management System
- Appointment of staff.

## **Conclusion**

This Report is our feedback to you, our loyal friends and compatriots. It contains particulars of what we achieved during the past financial year (2012/13) and give an overview of the obstacles that remain in realising our vision and mission above. We believed that we have made important strides in fulfilling our Government's mandate to create a better life for all – especially the most vulnerable and poor in our society.

# **Component B: Executive Summary**

## **1.1 Municipal Manager's Overview**

---

During the 2012/13 financial year the Municipality succeeded in a lot of improvements in terms of service delivery, there are however, some areas which have not been achieved but we continue to pride ourselves with those that we have managed to accomplish. The municipality is faced with myriad challenges; inter alia, climate change, sustainable development and many others that proceed to affect us negatively.

The purpose of the Annual Report, is to provide our community stakeholders with the information and to comply with the regulations.



### **Service Delivery performance**

We are reasonably satisfied that we, as managers, have contributed positively towards Council's service delivery successes in 2012/13. However, there were also several challenges that need to be addressed. In this regard, the following could be highlighted:

- Review and implementation of the Performance Management System.
- Appointment of staff.
- The Municipality has managed to include all the Special Programs/projects for the Office of the Speaker/Mayor in its planning document (IDP).
- All Special Programs committees were established, however there is a challenge of funding all the programs as envisaged. The municipality therefore needs to ensure that all the programs must be funded as requested by the Stakeholders and Community during consultation meetings.

- More focused must be driven to the HIV/Aids programs as we are experiencing escalating results compared to the last financial year. Again more funding must be outsourced.
- The Mayor has conducted community meetings together with ward councillors in all wards of the municipality in this financial year under review. There are challenges in some areas but they need to be addressed.
- No budget available for Municipal Health services.
- Limited funds for reparation of internal roads.

## **Policies and related administrative matters**

The municipality has maintained registers of the required administrative and financial policies throughout the 2012/13 financial year. The employment equity plan was reviewed and progress reports about its implementation submitted to the Department of Labour. The following important plans and policies were also reviewed and/or implemented:

- Indigent policy
- Credit control policy
- Asset policy
- Tarrif policy
- Banking and investment policy
- Debt collection policy
- Bad debts and write off policy
- External loan policy
- Induction policy
- Virement policy

## **Shared Services**

The municipality entered into an agreement with the district municipality for the utilisation of the following shared services:

- Shared services with the Audit Committee of Xhariep District Municipality

## **Performance highlights**

2012/2013 FINANCIAL YEAR	
<b>WATER</b>	
1.	Elevated tank and interlinking pipeline in Morojaneng, Dewetsdorp
2.	Morojaneng/Qibing: Installation of 2000 Water Meters
3.	Naledi LM: Refurbishment and Equipping of Boreholes
<b>SANITATION</b>	
1.	Van Stadensurs: Upgrading of Waste Water Treatment Works
2.	Construction of sewer line, connection to 113 Households
3.	Wepener: Refurbishment of Waste Water Treatment Works



<b>ROADS AND STORMWATER</b> <ol style="list-style-type: none"> <li>1. Wepener/ Ebenhaezehoogte: Paving of 1.5km internal street</li> <li>2. Wepener: Construction of low level bridge and access road</li> </ol>
<b>LAND AND HOUSING</b> <ol style="list-style-type: none"> <li>1. Construction of 200 houses in Dewetsdorp</li> <li>2. Construction of 150 houses in Wepener</li> <li>3. Formalization of 115 households in Van Stadensrus</li> <li>4. Review of the housing sector plan</li> </ol>
<b>REFUSE AND SOLID WASTE MANAGEMENT</b> <ol style="list-style-type: none"> <li>1. None</li> </ol>
<b>SPORTS FACILITIES</b> <ol style="list-style-type: none"> <li>1. Construction of Sports Facility in Thapelog, Van Stadensrus</li> </ol>

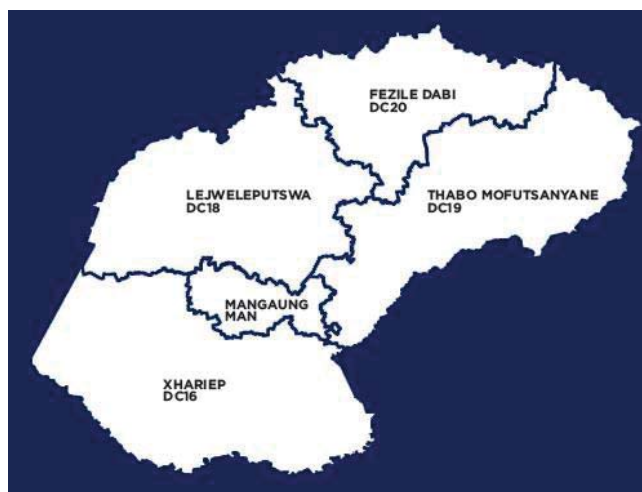
## 1.2 Municipal Population, Functions and Environmental Overview

Naledi Local Municipality is an administrative area in the Xhariep District of the Free State. The name is a Sesotho word, meaning “a star”.

It is located in the eastern highland of the region and a border gate to Lesotho is just 7km from Wepener. The area is transferred by the N8 Maloti Tourism Route and the R26 route. The municipality is largely rural community with almost a third of its land used for farming cattle, sheep and grain. It was incorporated into the Xhariep District following the 2011 local government elections.

It has also become known as “The Adventurous Weekend Destination”.

*Figure / Table 1.1: Map of the Free State*



(Source: [www.localgovernment.co.za](http://www.localgovernment.co.za))

*Figure / Table 1.2: Map of the Xhariep District: Free State*



(Source: [www.localgovernment.co.za](http://www.localgovernment.co.za))

The main economic sector is Agriculture

**Dewetsdorp** lies 75km south-east of Bloemfontein on the R702. The town is part of the Battlefields Route. One attraction is the British War Graves and Monument. The town has a beautiful nine-hole golf course and is also the home of the OSRAM Total Car Rally.

**Wepener** was founded in 1867 on the banks off Jammersberspruit, a tributary of the Caledon River. The Caledon Nature Reserve is about 15km south of Wepener on the R701. The Caledon River flows through the reserve, and the Welbedacht Dam is located in the southern region of the reserve. The Louw Wepener Memorial statue, Thaba Bosiu Memorial stone and Jammerbergdrift Battlefield site are also important attractions in the area. The sandstone street of Jammersberg Bridge over the Caledon River has been declared a national monument.

The town of **Van Stadensrus** is located between Wepener and Zastron and is one of the frontier towns on the border of South Africa and Lesotho. It is in close proximity to the Egmont and Van Stadensrus Dams, and is on the Anglo-Boer War Route. (Source: [www.localgovernment.co.za](http://www.localgovernment.co.za))

The Naledi Local Municipality was established in terms of Section 14 of the Local Government: Municipality Structure Act, Act No 117 of 1998 and was published in Provincial Gazette no 109 dated 28 September 2000. This Local Municipality is a category B municipality with a plenary executive system as contemplated in Section 3(b) of the Determination of Types of Municipality Act, 2000 (Act No 1 of 2000).

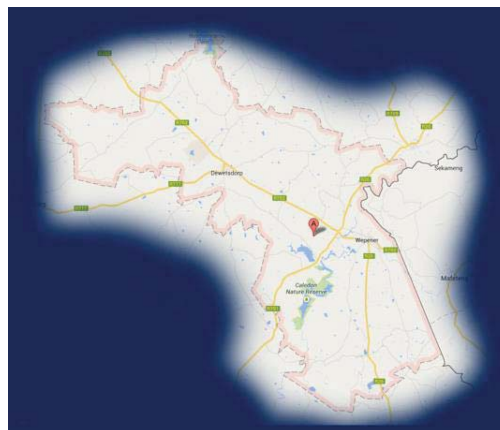
The powers and functions assigned to the Municipality are stipulated in sections 156 and 229 of the Constitution and Sections 83 and 84 of the Local Government: Municipal Structures Act, 1998

The local municipality area measures 11 933.24 km<sup>2</sup> and comprises the former TLCs of Dewetsdorp, Wepener, Van Stadensrus, as well as a part of the former South East, Central South and Bloemfontein area District TLCs. The individual sizes of these areas are indicated in the table below:

*Figure / Table 1.3: Composition and size of municipal area according to the Spatial Development Framework, 2005*

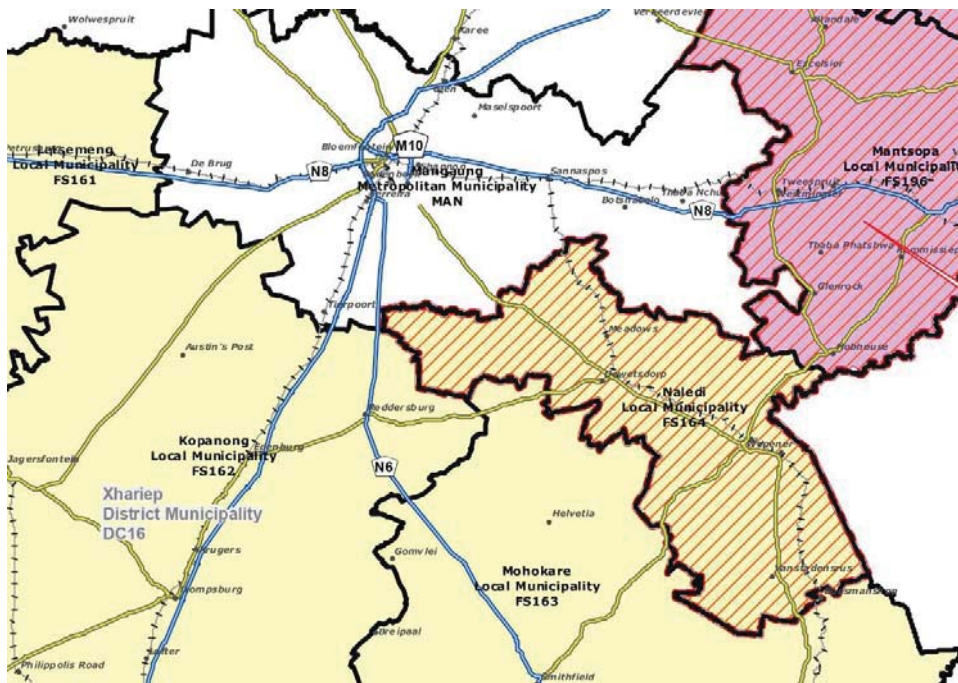
COMPONENT	SIZE (Km <sup>2</sup> )
Dewetsdorp	2 511.43
Wepener & Van Stadensrus	1 749.15
Farmland	7 672.66
<b>TOTAL</b>	<b>11 933.24</b>

(Source: Naledi Local Municipality SDF, 2005)



(Source: <https://maps.google.com>)

*Figure / Table 1.4: Map*



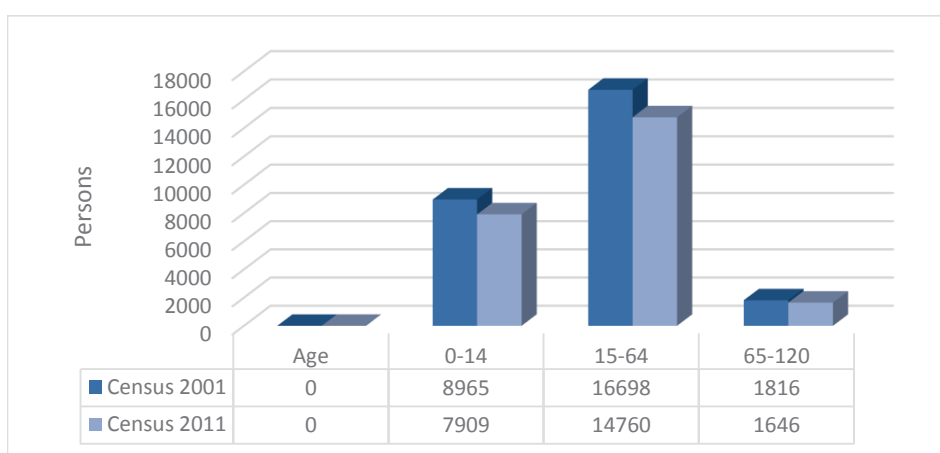
(Source: demarcation board)



Figure / Table 1.5: Population

Census 2001					Community Survey 2007					Census 2011				
	Male	Female	Total	% of Total		Male	Female	Total	% of Total		Male	Female	Total	% of Total
0 - 4	1248	1270	2554	9.29	0 - 4	1308	1341	2649	10.41	0 - 4	1469	1390	2859	11.76
4 - 9	1487	1419	2906	10.58	4 - 9	1285	1354	2639	10.37	4 - 9	1347	1300	2647	10.89
10 - 14	1804	1701	3505	12.76	10 - 14	1579	1475	3054	12	10 - 14	1265	1138	2403	9.88
15 - 19	1812	1692	3504	12.75	15 - 19	1314	1520	2834	11.14	15 - 19	1266	1271	2537	10.43
20 - 24	1183	1327	2510	9.13	20 - 24	1268	989	2257	8.87	20 - 24	1138	1170	2308	9.49
25 - 29	925	1108	2033	7.4	25 - 29	933	1104	2037	8.01	25 - 29	864	1014	1878	7.72
30 - 34	862	901	1763	6.42	30 - 34	777	969	1746	6.86	30 - 34	794	887	1681	6.91
35 - 39	776	862	1638	5.96	35 - 39	726	637	1363	5.36	35 - 39	597	835	1432	5.89
40 - 44	622	737	1359	4.95	40 - 44	480	408	888	3.49	40 - 44	602	675	1277	5.25
45 - 49	591	690	1281	4.66	45 - 49	443	698	1141	4.48	45 - 49	444	587	1031	4.24
50 - 54	520	557	1077	3.92	50 - 54	403	480	883	3.47	50 - 54	368	564	932	3.83
55 - 59	373	439	812	2.95	55 - 59	357	663	1020	4.01	55 - 59	380	545	925	3.80
60 - 64	316	405	721	2.62	60 - 64	440	590	1030	4.05	60 - 64	300	459	759	3.12
65 - 69	266	407	673	2.45	65 - 69	270	499	769	3.02	65 - 69	210	328	538	2.21
70 - 74	172	270	442	1.61	70 - 74	181	268	449	1.76	70 - 74	170	299	469	1.93
75 - 79	106	174	280	1.02	75 - 79	33	297	330	1.3	75 - 79	108	225	333	1.37
80 - 84	91	180	271	0.99	80 - 84	82	67	149	0.59	80 - 84	39	110	149	0.61
85 - 120	36	114	150	0.55	85 - 120	15	190	205	0.81	85 - 120	48	109	157	0.65
Total	13190	14253	27479		Total	11894	13549	25443		Total	11409	12906	24315	

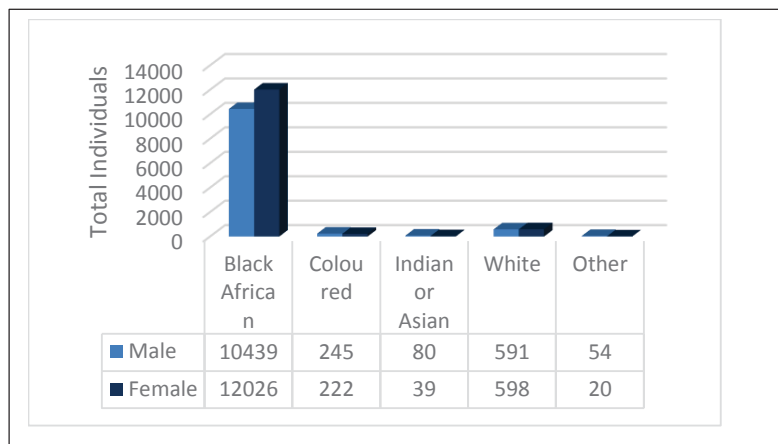
Census 2001			Community Survey 2007			Census 2011		
Age	Total Persons	Age group as %	Age	Total Persons	Age group as %	Age	Total Persons	Age group as %
0-14	8965	32.63	0-14	8342	32.78	0-14	7909	32.53
15-64	16698	60.76	15-64	15199	59.74	15-64	14760	60.68
65-120	1816	6.62	65-120	1902	7.48	65-120	1646	6.77



(Source: Statistic South Africa: Census 2001, Community Survey 2007 and Census 2011)

*Figure / Table 1.6: Population Group*

	Male	Female
Black African	10439	12026
Coloured	245	222
Indian or Asian	80	39
White	591	598
Other	54	20

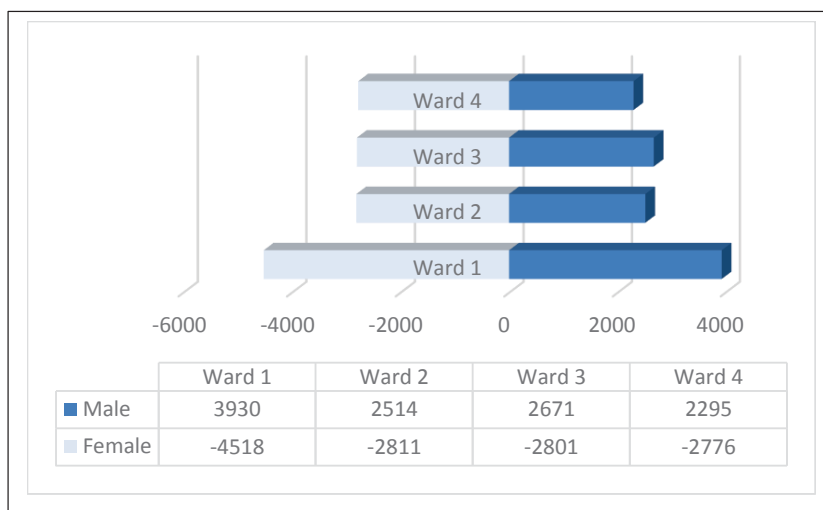


(Source: StatsSA, Municipal Fact Sheet, Census, 2011)

### Population according to wards:

*Figure / Table 1.7: Gender as per Ward*

	Male	Female	Total
FS 164: Naledi	11409	12905	24314
Ward 1	3930	4518	8448
Ward 2	2514	2811	5325
Ward 3	2671	2801	5472
Ward 4	2295	2776	5071



(Source: StatsSA, Municipal Fact Sheet, Census, 2011)

Figure / Table 1.8: Gender and population as per Ward

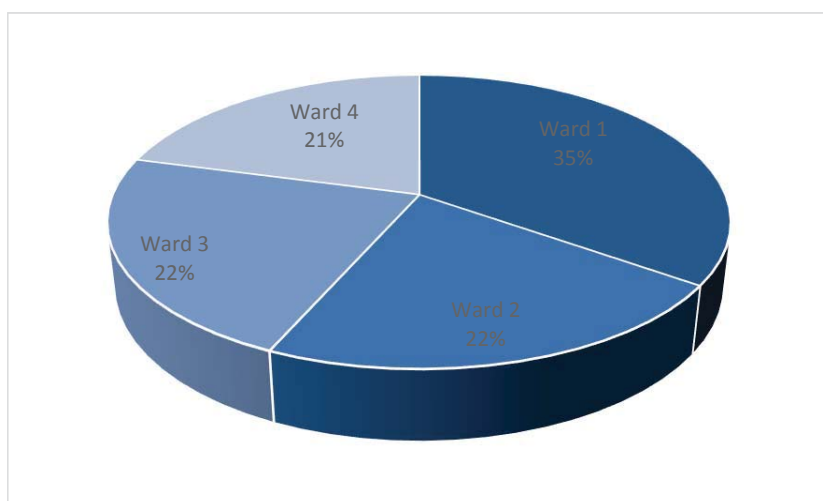
	Black African		Coloured		Indian or Asian		White		Other	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
FS164: Naledi	10439	12026	245	222	80	39	591	598	54	20
Ward 1	3488	4089	60	51	14	4	346	366	22	8
Ward 2	2404	2718	21	25	11	2	66	63	12	3
Ward 3	2404	2578	32	13	39	31	179	169	17	9
Ward 4	2143	2641	132	133	16	1	-	-	3	1

According to Census 2011 61% of the population are between the age of 15 and 64, 53% are female. The dominant language is Sesotho, with 84% speaking the language as a first language, 8% Afrikaans and 3% IsiXhosa. The number of persons has decreased from 27479 (Census 2001) to 24314 (Census 2011), but the number of households has increased from 7575 (Census 2001) to 7690 (Census 2011). Which means that the service points in the municipality has increased with 115 households.

(Source: StatsSA, Census, 2011)

Figure / Table 1.9: Number of persons as per Ward

Ward 1	8447
Ward 2	5325
Ward 3	5471
Ward 4	5070
Total persons	24314



(Source: StatsSA, Census, 2011)

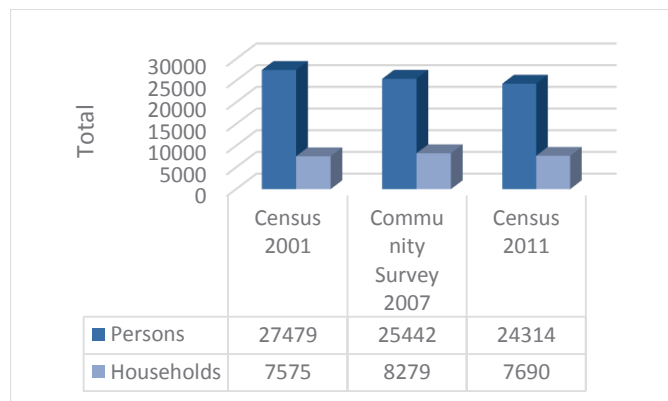
The population density in the area is approximately 7.1 persons per square km, which is substantially less than the national average of 32.

(Source: <http://en.wikipedia.org>)



Figure / Table 1.10: Number of persons and households

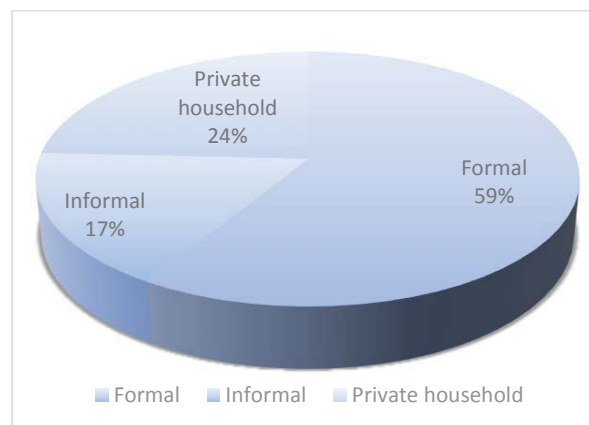
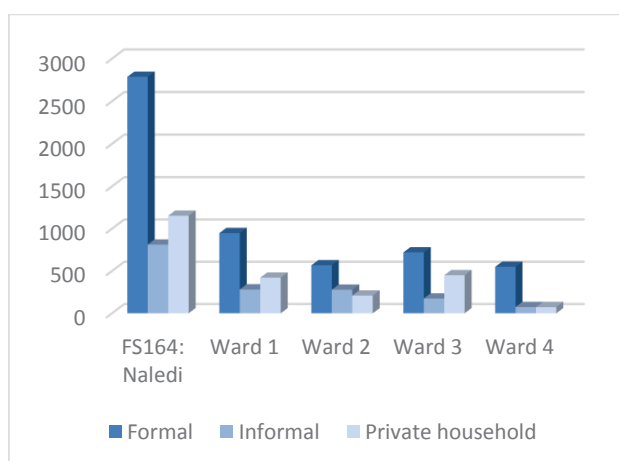
Category	Census 2001	Community Survey 2007	Census 2011
Persons	27479	25442	24314
Households	7575	8279	7690



(Source: StatsSA, Census, 2011)

Figure / Table 1.11: Economic sectors per ward

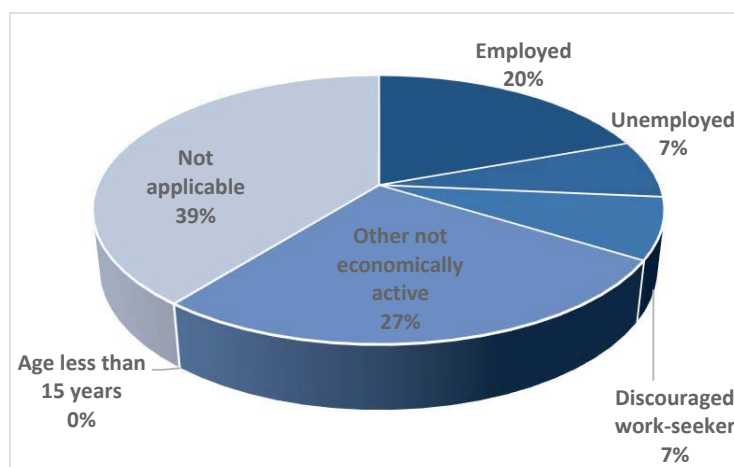
	In the formal sector	In the informal sector	Private household	Do not know	Not applicable
FS164: Naledi	2787	811	1153	81	19482
Ward 1	948	282	421	45	6750
Ward 2	568	279	209	19	4250
Ward 3	720	175	450	14	4112
Ward 4	550	74	73	3	4369



(Source: StatsSA, Census, 2011)

Figure / Table 1.12: Socio Economic / Employment Status

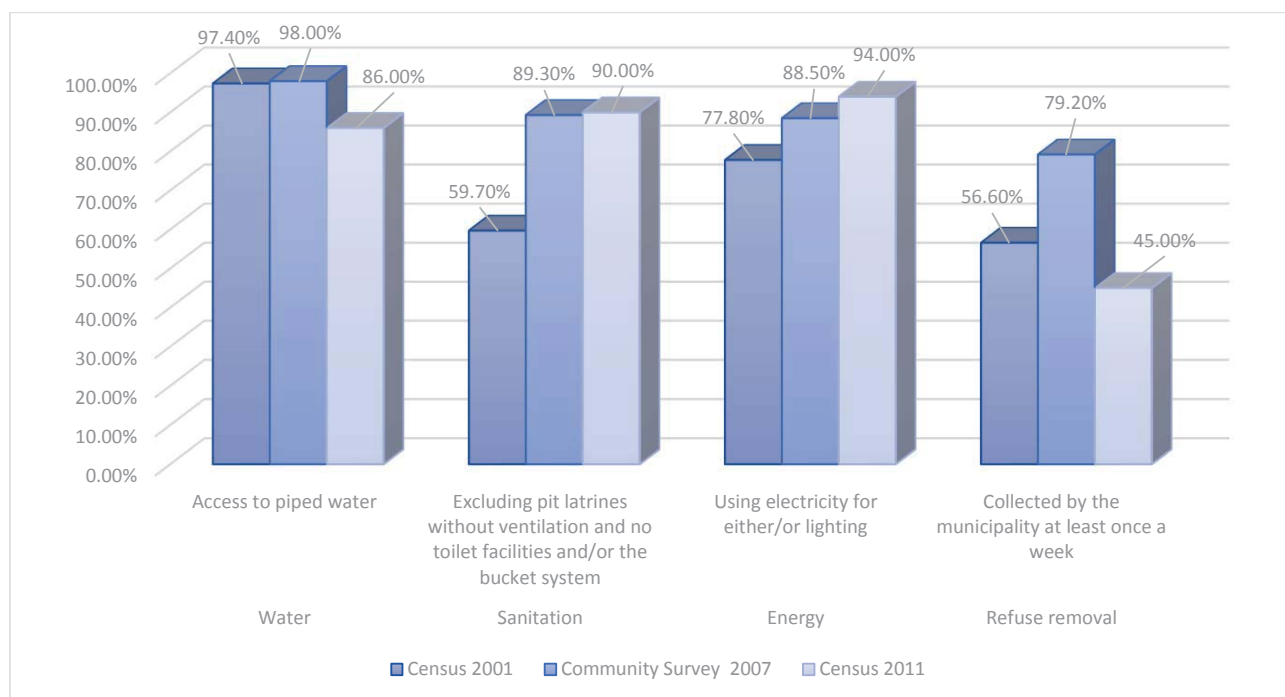
Employment Status	Total persons
Employed	4729
Unemployed	1697
Discouraged work-seeker	1791
Other not economically active	6542
Age less than 15 years	0
Not applicable	9555



(Source: StatsSA, Census, 2011)

### 1.3 Service Delivery Overview

Figure / Table 1.13: Basic Services Overview



(Source: StatsSA)

The Municipality has attained important progress with the delivery of basic services between Census 2001, Community Survey in 2007 and Census 2011. The above progress lines represented above are reflected in the Table below:

Figure / Table 1.14: Basic Services Overview (2)

Access to Basic Services				
Basic Service	Definition	Census 2001	Community Survey 2007	Census 2011
Water	Access to piped water	97.40%	98.00%	86.00%
Sanitation	Excluding pit latrines without ventilation and no toilet facilities and/or the bucket system	59.70%	89.30%	90.00%
Energy	Using electricity for either/or lighting	77.80%	88.50%	94.00%
Refuse removal	Collected by the municipality at least once a week	56.60%	79.20%	45.00%

(Source: StatsSA)

## 1.4 Financial Health Overview

Figure / Table 1.15: Financial Health Overview

NALEDI LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013			
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013			
	Note	2013 R	2012 R
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Service charges	14	26,575,914	25,962,270
Finance Income	15	258,982	119,650
Dividends received	33	3,061	3,121
Rental of facilities and equipment	17	318,711	283,462
Other revenue	19	1,707,482	318,904
<b>Revenue from Non-exchange Transactions</b>			
Government grants and subsidies	16	58,552,272	47,653,959
Property Rates		6,573,598	3,790,107
Donations received	18	2,203,663	17,507,467
<b>Total revenue</b>		<b>96,193,683</b>	<b>95,638,940</b>
<b>Expenses</b>			
Employee related costs	20	23,404,100	21,582,151
Remuneration of councillors	21	1,943,364	1,725,729
Depreciation and amortisation expense	22	18,334,008	18,998,391
Bad debts		-	448,852
Finance costs	23	1,731,528	2,715,885
Repairs and maintenance		2,725,844	1,883,015
Bulk purchases	24	19,882,569	14,792,323
General expenses	25	19,220,462	14,543,864
<b>Total expenses</b>		<b>87,241,875</b>	<b>76,690,210</b>
Gain / (loss) on disposal of assets		(349,288)	(864,582)
Profit / (loss) on fair value adjustment		-	5,087
<b>Surplus / (deficit) for the period</b>		<b>8,602,520</b>	<b>18,089,234</b>

## 1.5 Organisational Development Overview

Figure / Table 1.16: Municipal Employees per category

TOTAL NUMBER OF EMPLOYEES IN THE MUNICIPALITY:

OCCUPATIONAL CATEGORY	FEMALE				MALE				TOTAL				TOTAL
	A	C	I	W	A	C	I	W	A	C	I	W	
11 - LEGISLATORS	2	0	0	0	5	0	0	1	7	0	0	1	8
12 - MANAGERS	2	0	0	0	3	0	0	0	5	0	0	0	5
2 - PROFESSIONALS	4	0	0	1	5	3	0	1	9	3	0	2	14
3 - TECHNICIANS AND TRADE WORKERS	0	0	0	0	1	0	0	0	1	0	0	0	1
4 - COMMUNITY AND PERSONAL SERVICE WORKERS	0	0	0	0	1	0	0	0	1	0	0	0	1
5 - CLERICAL AND ADMINISTRATIVE WORKERS	14	0	0	0	8	0	0	0	22	0	0	0	22
6 - SALES WORKERS	3	0	0	0	2	0	0	0	5	0	0	0	5
7 - MACHINE OPERATORS AND DRIVERS	2	0	0	0	9	0	0	0	11	0	0	0	11
8 - ELEMENTARY WORKERS	21	0	0	0	63	5	0	0	84	5	0	0	89
TOTALS	48	0	0	1	97	8	0	2	145	8	0	3	156

(Source: Workplace Skills Plan)

Figure / Table 1.17: Total Number of Employees in the Municipality who Received Training

TOTAL NUMBER OF EMPLOYEES TO RECEIVE TRAINING:

OCCUPATIONAL CATEGORY	FEMALE				MALE				TOTAL				TOTAL	% OF TOTAL EMPLOYEES
	A	C	I	W	A	C	I	W	A	C	I	W		
11 - LEGISLATORS	2				5			1	7	0	0	1	8	100.00%
12 - MANAGERS	1				3				4	0	0	0	4	80.00%
2 - PROFESSIONALS	3				7			1	10	0	0	1	11	78.57%
3 - TECHNICIANS AND TRADE WORKERS	7			1	17				24	0	0	1	25	2500.00%
4 - COMMUNITY AND PERSONAL SERVICE WORKERS									0	0	0	0	0	0.00%
5 - CLERICAL AND ADMINISTRATIVE WORKERS	10				19				29	0	0	0	29	131.82%
6 - SALES WORKERS									0	0	0	0	0	0.00%
7 - MACHINE OPERATORS AND DRIVERS									0	0	0	0	0	0.00%
8 - ELEMENTARY WORKERS	19				60				79	0	0	0	79	88.76%
TOTALS	42	0	0	1	111	0	0	2	153	0	0	3	156	100.00%

(Source: Workplace Skills Plan)



Figure / Table 1.18: Summary Employee Profile Data

Total number of black (African, Coloured, Indian) employees	153
Black employees as a % of total employees	98.08%
Total number of women employees	49
Women employees as a % of total employees	31.41%
Total number of employees with disabilities	0
Employees with disabilities as a % of total employees	0.00%
Total employees over the age of 55	3
Over 55 employees as a % of total employees	1.92%
Total employees between the ages of 35 and 55	56
Employees between 35 and 55 as a % of total employees	35.90%
Total employees under the age of 35	92
Employees under 35 as a % of total employees	58.97%

(Source: Workplace Skills Plan: 2013/14)

Figure / Table 1.19: Summary Employee Qualification Profile Data

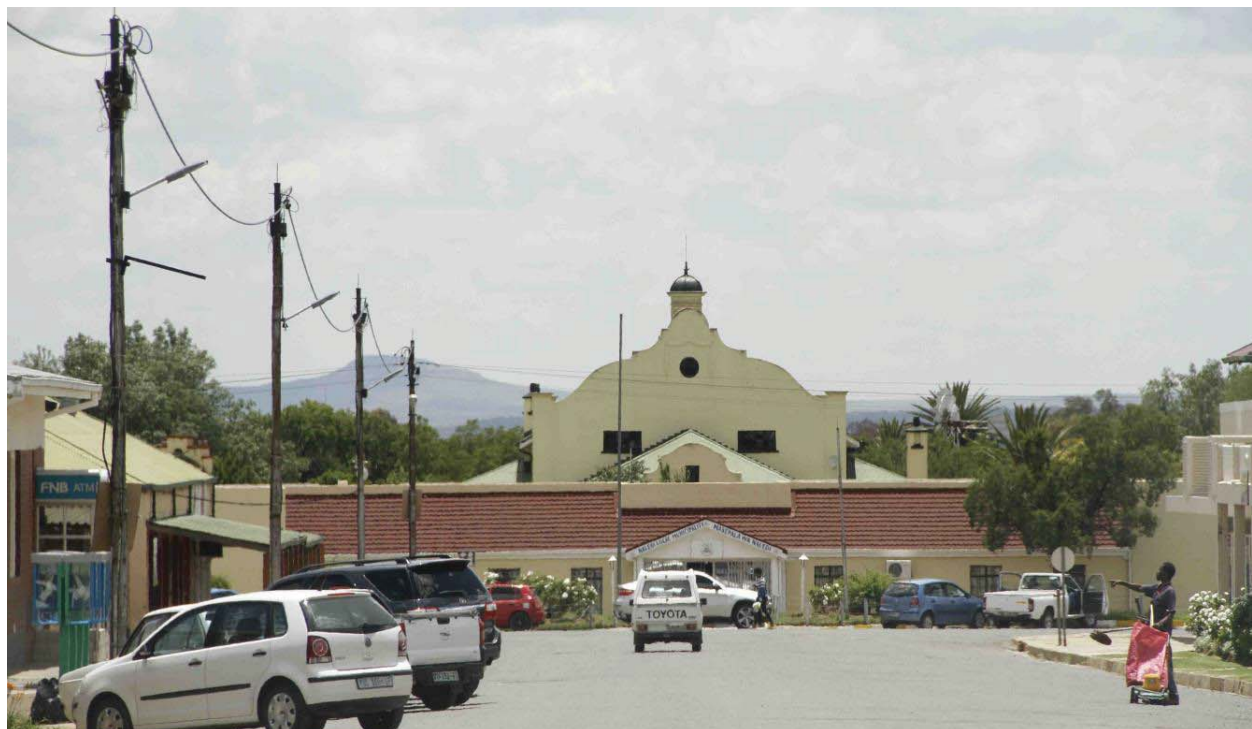
EMPLOYEE QUALIFICATION PROFILE	
Total number of employees with an NQF Level 1 and below qualification	4
Employees with an NQF Level 1 and below qualification as a % of total employees	2.56%
Total number of employees with an NQF Level 2, 3 or 4 qualification	57
Employees with an NQF Level 2, 3 or 4 qualification as a % of total employees	36.54%
Total number of employees with an NQF Level 5 or above qualification	14
Employees with an NQF Level 5 or above qualification as a % of total employees	8.97%
Total employees who are Managers and Professionals with an NQF Level 6 or above qualification	7
Employees who are Managers and Professionals with an NQF Level 6 or above qualification as a % of total employees in those categories	36.84%
Total employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification	1
Employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification as a % of total employees in that categories	100.00%

(Source: Workplace Skills Plan: 2013/14)

## 1.6 Statutory Annual Report Process

The following statutory required annual reporting process has been complied followed during the 2012/13 financial year:

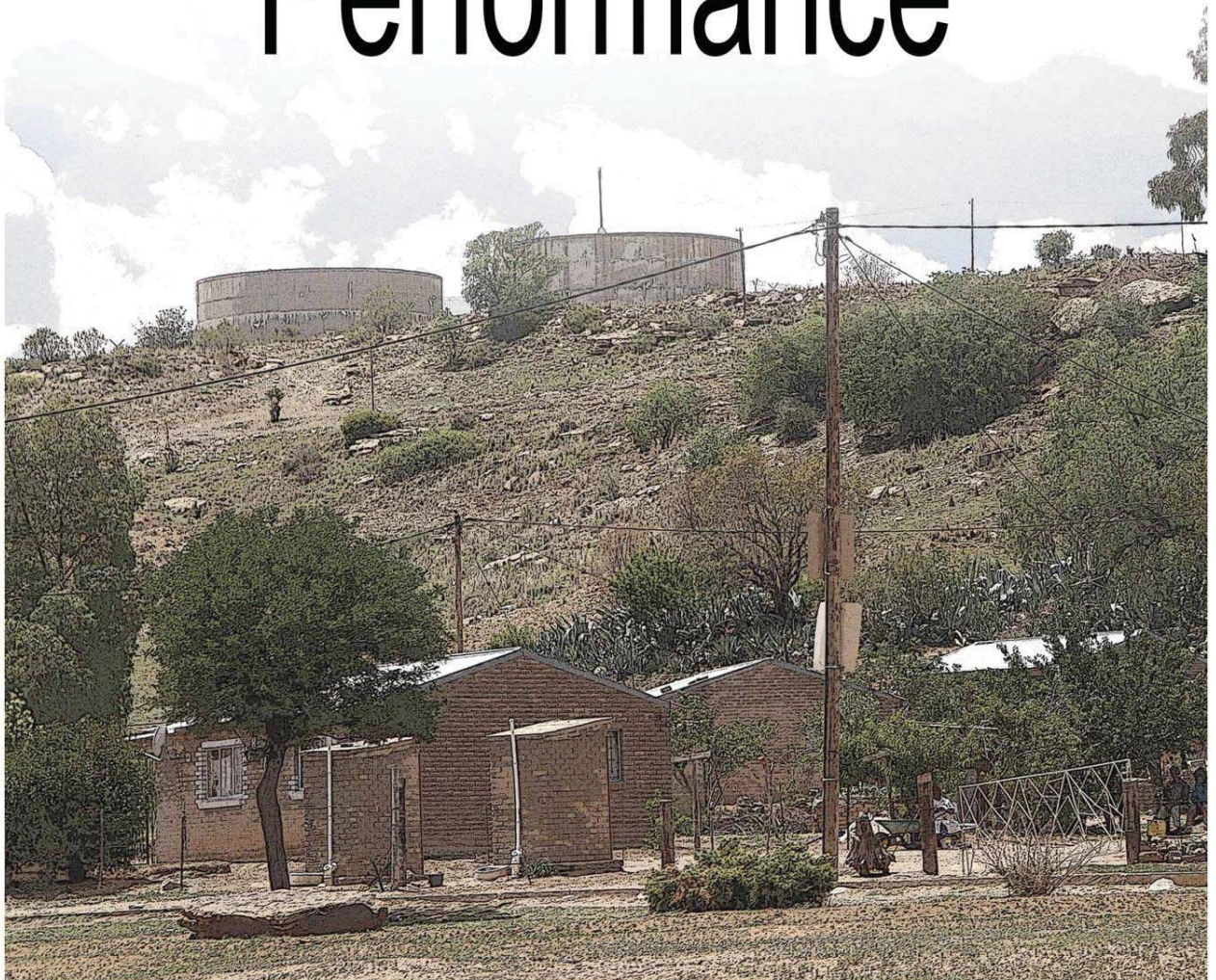
1	Consideration of the 2012/13 IDP Process Plan	July 2013
2	Implementation of the IDP and budget commences	July 2013
3	Compilation of the 2012/13 Annual Performance Report	August 2013
4	Compilation of the 2011/12 Annual Financial Statements	August 2013
5	Draft Annual Report (Performance Report and Annual Financial Statements submitted to the AG)	August 2013
6	Auditor-General assessed the 2011/12 Annual Financial Statements and Performance Report	September – October 2013
7	Municipality received back the Auditor-General's comments and start addressing issues raised	November 2013
8	Compilation of the 2011/12 Annual Report	January 2014
9	Public comments regarding the Annual Report is invited	February 2014
10	2012/13 Oversight Process	March 2014
11	Public inputs for the purposes of finalising the Oversight Report is invited	March 2014
12	Annual Report, Annual Financial Statements and Audit Management Letters considered with service planning for 2012/13	March 2014





# Chapter 3

## Service Delivery Performance



## Chapter 3 – Service Delivery Performance

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### Remaining Challenges

- **Office of the Municipal Manager**
  - Development of a Communication Strategy
  - Implementation of the Performance Management System
  - Review of the Performance Management Policy
- **Department Financial Services**
  - Asset management register to be uploaded in the financial system
  - Risk management policy and strategy to receive attention.
  - Fraud prevention plan to receive attention.
- **Department Corporate and Social Services**
  - All Municipal vehicles are not roadworthy.
  - The municipality doesn't have fleet policy.
  - Supervisors and the drivers are not complying with the internal measurers. (Trip authority, log books etc.)
  - Illegal dumping
- **Department Technical Services**
  - Appointment of staff

### Future Actions

Our immediate future priorities to improve our services will be as follows:

- Fleet policy to be developed.
- Vehicles to be registered as soon as possible due to the accumulation of debt on a monthly basis.
- Review of the Performance Management Policy and implementation of the Performance Management System
- Appointment of staff.



## Component A: Basic Services

If the results of Census 2001 are compared with those of the 2007 Community Survey, the progress that the Municipality has made with service delivery in respect of ensuring access to key basic services are evident:

Figure / Table 3.1: Performance in terms of basic services

Access to Basic Services				
Basic Service	Definition	Census 2001	Community Survey 2007	Census 2011
Housing	Acceptable standard of development: Housing	78.00%	78.50%	85.00%
Water	Acceptable standard of development: Water	97.40%	98.00%	86.00%
Sanitation	Acceptable standard of development: Sanitation	59.70%	89.30%	90.00%
Energy	Acceptable standard of development: Energy for lighting	77.80%	88.50%	94.00%
Refuse removal	Acceptable standard of development: Refuse removal	56.60%	79.20%	45.00%

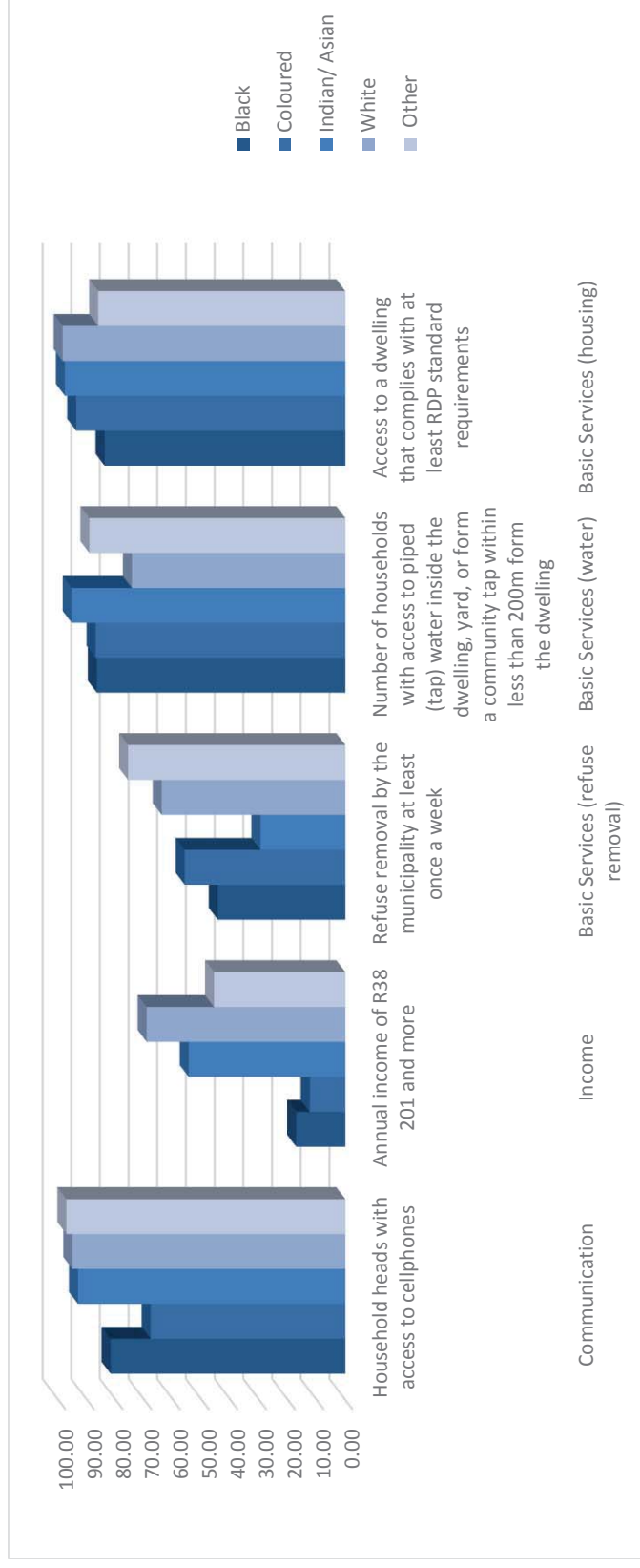


(Source: Census 2001, Community Survey, 2007 and Census 2011)

If a comparative analysis based on a number of key development indicators is done (see Figure below) it is clear that the main development gap in the Naledi area of jurisdiction is still primarily in among the African and Coloured population groups.

Figure / Table 3.2: Access to basic services (profile)

Area	Standard Indicator	Black	Coloured	Indian/ Asian	White	Other
Communication	Household heads with access to cellphones	81.81	67.80	93.18	95.14	97.22
Income	Annual income of R38 201 and more	17.14	12.36	54.55	69.21	45.71
Basic Services (refuse removal)	Refuse removal by the municipality at least once a week	44.43	55.93	29.55	63.98	75.68
Basic Services (water)	Number of households with access to piped (tap) water inside the dwelling, yard, or form a community tap within less than 200m form the dwelling	86.59	87.01	95.35	74.36	89.19
Basic Services (housing)	Access to a dwelling that complies with at least RDP standard requirements	83.91	93.79	97.73	98.52	86.11



(Source: Census 2011)

Figure / Table 3.3: Official employment status according to Population

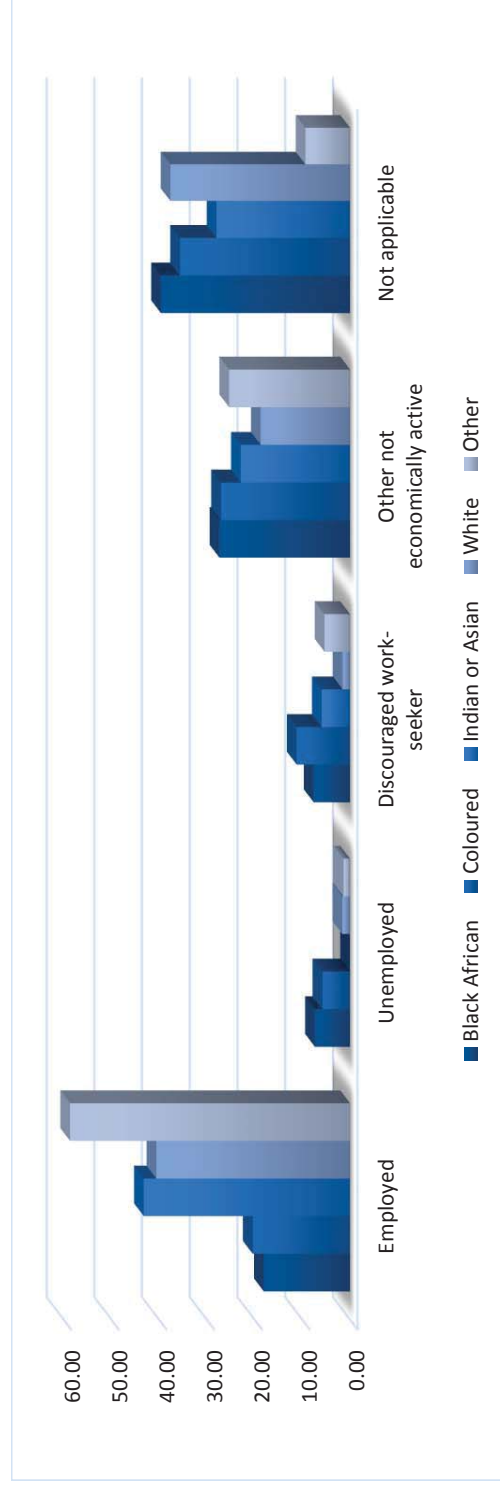
Per Person

	Black African	Coloured	Indian or Asian	White	Other
Employed	4057	95	51	482	44
Unemployed	1649	27	-	19	1
Discouraged work-seeker	1711	52	7	18	4
Other not economically active	6147	126	27	222	19
Not applicable	8902	166	33	447	7

As %

	Black African	Coloured	Indian or Asian	White	Other
Employed	18.06	20.39	43.22	40.57	58.67
Unemployed	7.34	5.79	0.00	1.60	1.33
Discouraged work-seeker	7.62	11.16	5.93	1.52	5.33
Other not economically active	27.36	27.04	22.88	18.69	25.33
Not applicable	39.62	35.62	27.97	37.63	9.33

Official employment status according to Population as %



(Source: Census 2011)

## 3.1 Water Provision

### 3.1.1 Statistical Overview

Figure / Table 3.4: Analysis of Access to Water: 2001, 2007, 2011

Source of Water	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
Regional/local water scheme (operated by municipality or other water services provider)	7382	97.4	8113	98	6605	86
Borehole	95	1.3	136	1.6	715	9
Spring	3	0	-	-	8	0
Rain-water tank	4	0.1	-	-	39	1
Dam/pool/stagnant water	18	0.2	-	-	29	0
River/stream	8	0.1	-	-	18	0
Water vendor	2	0	12	0.1	39	1
Other	62	0.8	19	0.2	84	1
Water tanker	0	0	0	0	152	2
<b>Total</b>	<b>7575</b>	<b>100</b>	<b>8279</b>	<b>100</b>	<b>7689</b>	<b>100</b>

(Source: Stats SA)

Figure / Table 3.5: Access to water: Naledi, Xhariep and RSA

	Naledi	Access to water as a %: Naledi	Xhariep District	Access to water as a %: Xhariep District	RSA	Access to water as a %: RSA
Regional/ local water scheme (operated by municipality or other water services provider)	7382	97.4	36541	81	11519312	80%
Borehole	95	1.3	6411	14	881495	6%
Spring	3	0	63	0	178799	1%
Rain water tank	4	0.1	236	1	141475	1%
Dam/pool/stagnant water	18	0.2	398	1	225181	2%
River/stream	8	0.1	153	0	651246	4%
Water vendor	2	0	136	0	176425	1%
Water tanker	62	0.8	1009	2	376423	3%
Other	0	0	421	1	299806	2%
Not applicable					-	

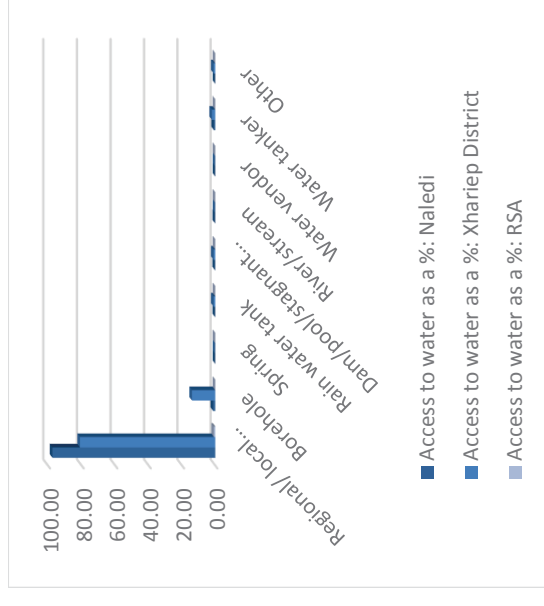


Figure / Table 3.6: Access to water according to category and per ward

	Regional/local water scheme (operated by municipality or other water services provider)	Borehole	Spring	Rain water tank	Dam/pool/stagnant water	River/stream	Water vendor	Water tanker	Other	Not applicable
FS164: Naledi	6605	715	8	39	29	18	39	152	84	-
Ward 1	2211	230	-	8	4	3	11	97	55	-
Ward 2	1322	174	1	9	17	1	12	34	13	-
Ward 3	1435	306	7	21	8	13	11	19	11	-
Ward 4	1638	5	-	1	-	-	6	3	5	-

(Source: StatsSa, Census, 2011)

(Source: Stats SA)



Figure / Table 3.7: Blue drop assessment results, 2012

Naledi Local Municipality				
Water Services Authority		Naledi Local Municipality		
Water Services Provider(s)		Naledi Local Municipality, Bloem Water		
Municipal Blue Drop Score:		51.03%		
Performance Area	Systems			
			Dewetsdorp <sup>a</sup>	Wepener <sup>a</sup>
Water Safety Planning (35%)			38	38
Treatment Process Management (10%)			47	47
DWQ Compliance (30%)			100	89
Management, Accountability (10%)			23	23
Asset Management (15%)			36	36
Bonus Scores			2.00	2.15
Penalties			-1.78	-0.72
Blue Drop Score (2012)		55.82% (↑)		53.66% (↑)
2011 Blue Drop Score			43.59%	43.35%
2010 Blue Drop Score			47.50%	47.50%
System Design Capacity (Ml/d)			No information	No information
Operational Capacity (% Ito Design)			No information	No information
Population Served			17 300	20 000
Average daily Consumption (l/p/d)			115.61	86.50
Microbiological Compliance (%)			>99.9%	99.3%
Chemical Compliance (%)			>99.9%	>99.9%
				No information
				10.65% (↑)
				05.38%
				Not assessed
				0.5
				70.00
				3 700
				94.59
				94.7%
				No information

(Source: 2012 Blue Drop Report Free State)

#### Regulatory Impression

Drinking Water Quality Management in Naledi Local Municipality remained constant with a disappointing minor performance improvement recorded in each of the three supply systems. The municipality was not well prepared for the assessment and also appeared to disregard the requirements of the Regulator and legislation since very little information was provided to the Department on the Blue Drop System. Technical competence and management commitment appears to be a challenge within the Naledi Local Municipality. Instructions issued by the Department in the previous Blue Drop Report are still to be addressed and disinfection at the Vanstadensrus borehole system remains inadequate to eliminate the risk that consumers might contract a water-related disease following the consumption of the borehole water.

The WSA is still to adopt a comprehensive risk assessment and water safety planning process. A full set of SANS 241 analyses must be done in each of the supply systems to determine the risks associated with chemical determinands. The findings from this risk assessment and water safety planning process must be used to inform and implement more comprehensive drinking water quality monitoring programmes.

Similar to the 2011 Blue Drop Assessment, information provided by Bloem Water on the quality of drinking water in the Dewetsdorp and Wepener systems, along with other required information on process control, asset management and other criteria, contributed the majority of the score awarded to the Dewetsdorp and Wepener systems.

Figure / Table 3.8: Performance highlights in terms of service delivery for from 2010 to 2013 Financial Years respectively

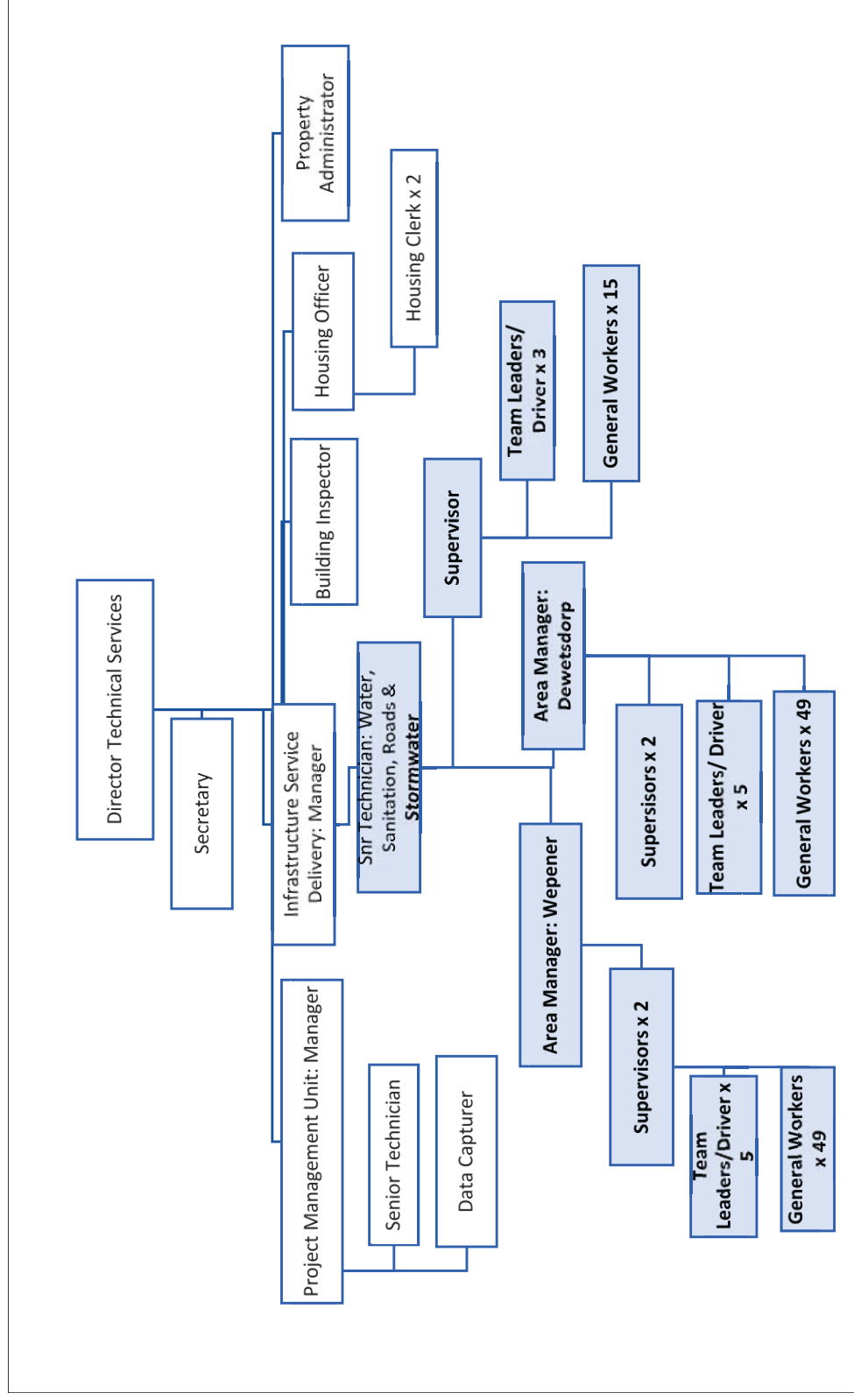
2010/2011 FINANCIAL YEAR	2011/2012 FINANCIAL YEAR	2012/2013 FINANCIAL YEAR
<b>WATER</b>	<b>WATER</b>	<b>WATER</b>
1. Naledi LM: Refurbishment and Equipping of Boreholes	Elevated tank and interlinking pipeline in Morojaneng, Dewetsdorp	<ol style="list-style-type: none"> <li>1. Elevated tank and interlinking pipeline in Morojaneng, Dewetsdorp</li> <li>2. Morojaneng/Qibing: Installation of 2000 Water Meters</li> <li>3. Naledi LM: Refurbishment and Equipping of Boreholes</li> </ol>

Figure / Table 3.9: Backlog in terms of service delivery

<b>Water</b>
Provision of portable water to high lying areas in Dewetsdorp and Vanstadensrus Provision of water infrastructure to 1300 ervens in all three towns Upgrading of water treatment works in Vanstadensrus Resuscitation of three boreholes in Wepener, Dewetsdorp and Van Stadensrus Development of Water services Plan Provision of Water Master Plan Provision of Operations and maintenance Plan Provision of Risk Abatement Plan Development of Water services Plan



Figure / Table 3.10: Organogram



**Actual performance against SDBIP targets set for the 2012/13 Financial Year**

**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					Proj	actual		
Basic Service Delivery		Morojaneng/Qibing: Installation of Water Meters	Number of Water Meters installed	2000 water meter	1000 water meter	850 water meter	None	None
		Naledi: Refurbishment of Boreholes	Number of Boreholes to be refurbishment	3 Boreholes resuscitated	3 Boreholes	0	None	None

## 3.2 Waste Water (Sanitation) Provision

Figure / Table 3.11: Analysis of Access to Sanitation Facilities: 2001, 2007, 2011

Toilet facility	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
Flush toilet (connected to sewerage system)	4130	54.5	7180	86.7	6526	85
Flush toilet (with septic tank)	123	1.6	110	1.3	159	2
Dry toilet facility	-	-	-	-	-	-
Chemical toilet	8	0.1	-	-	16	0
Pit latrine with ventilation (VIP)	266	3.5	108	1.3	239	3
<b>Total</b>	<b>4527</b>	<b>59.7</b>	<b>7398</b>	<b>89.3</b>	<b>6940</b>	<b>90</b>

(Source: StatsSA, 2001, 2007, 2011)

Figure / Table 3.12: Access to water: Naledi, Xhariep and RSA

Category	Naledi	Access to water as a %: Naledi	Xhariep District	Access to water as a %: Xhariep District	RSA	Access to water as a %: RSA
None	286	4	2650	6	748592	5%
Flush toilet (connected to sewerage system)	6526	85	35176	78	8242924	57%
Flush toilet (with septic tank)	159	2	1206	3	442481	3%
Chemical toilet	16	0	119	0	360703	3%
Pit toilet with ventilation (VIP)	239	3	2064	5	1266102	9%
Pit toilet without ventilation	160	2	1528	3	2786068	19%
Bucket toilet	170	2	1955	4	297847	2%
Other	134	2	670	1	305444	2%

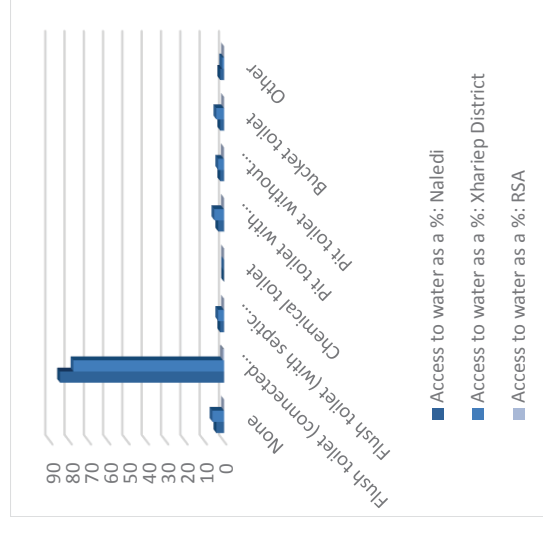


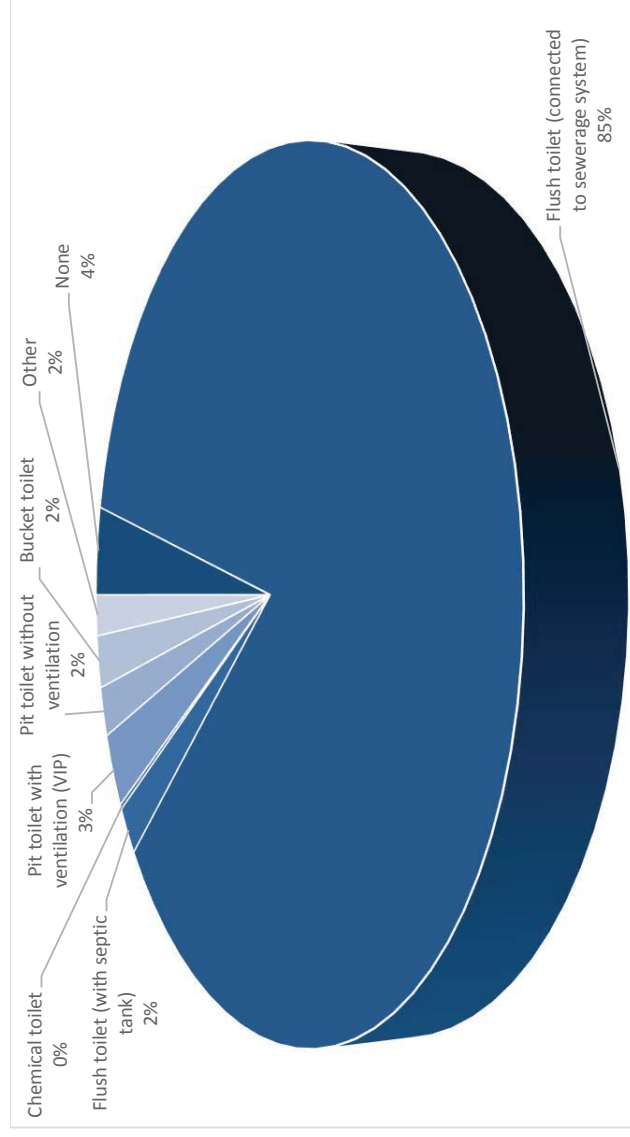


Figure / Table 3.13: Access to sanitation according to category and per ward

	None	Flush toilet (connected to sewerage system)	Flush toilet (with septic tank)	Chemical toilet	Pit toilet with ventilation (VIP)	Pit toilet without ventilation	Bucket toilet	Other
<b>FS164: Naledi</b>	286	6526	159	16	239	160	170	134
<b>Ward 1</b>	137	2178	44	9	117	46	56	34
<b>Ward 2</b>	72	1359	44	1	48	24	12	22
<b>Ward 3</b>	73	1354	64	5	70	91	101	72
<b>Ward 4</b>	4	1635	6	1	4	-	-	6

(Source: StatsSa; Census 2011)

Figure / Table 3.14: Sanitation



(Source: StatsSa; Census :

Figure / Table 3.15: Green drop assessment

Water Services Authority: Naledi Local Municipality				
Municipal Green Drop Score: 5.4%				
Performance Area	Systems			
	Dewetsdorp	Wepener	VanStadensrus	
Process Control, Maintenance & Management skills	15	0	0	0
Monitoring Programme	0	0	0	0
Credibility of Sample Analyses	0	0	0	0
Submission of Results	0	0	0	0
Wastewater Quality Compliance	0	0	0	0
Failure Response Management	0	0	0	0
Bylaws	0	0	0	0
Treatment & Collector Capacity	0	0	70	0
Asset Management	20	20	20	20
Bonus Scores	0	0	0	0
Penalties	0	0	0	0
Green Drop Score (2011)	4.5% (↑)	3.0% (↑)	10.0% (↑)	
Green Drop Score (2009)	NA – 0%	NA – 0%	NA – 0%	
Treatment Capacity (MI/d)	2	5	3	
Operational % I.L.O. Capacity	NI (assume >100%)	NI (assume >100%)	NI (assume >100%)	
Cumulative Risk Rating (CRR)	18	23	18	
% I.L.O. Maximum Risk Rating	100% (↑)	100% (↑)	100% (↑)	

NI – No information  
NA – Not assessed

(Source: Green Drop Report Free State 2012)

Figure / Table 3.16: Performance highlights in terms of service delivery for from 2010 to 2013 Financial Years respectively

2010/2011 FINANCIAL YEAR	2011/2012 FINANCIAL YEAR	2012/2013 FINANCIAL YEAR
<b>SANITATION</b>	<b>SANITATION</b>	<b>SANITATION</b>
1. Dewetsdorp (Morojaneng): Waterborne Sanitation	1. Dewetsdorp (Morojaneng): Waterborne Sanitation	1. Van Stadensrus: Upgrading of Waste Water Treatment Works
2. Construction of sewer line, connection to 113 households	2. Van Stadensrus: Upgrading of Waste Water Treatment Works	2. Construction of sewer line, connection to 113 Households
3. Construction of Sewer outfall mainline	3. Construction of sewer line, connection to 113 Households	3. Wepener: Refurbishment of Waste Water Treatment Works
	4. Construction of Sewer outfall mainline	

#### Regulatory Impression

The Naledi Local Municipality has performed unsatisfactory during the Green Drop assessments indicating that the wastewater services are not being managed according to the expectations of the regulation programme. The Green Drop requirements are largely not met and result in a low overall municipal score for Naledi. The gaps in the current performance reach into **all aspects** of wastewater service delivery and it is difficult to find but one requirement that is on par with good practice. The gaps range from technical skill levels, qualitative and quantitative monitoring, planning and management of wastewater collection and treatment. All mentioned levels will have to be raised from a critical- to a minimum/average level before the municipality would be in a position to move forward.

The situation in Naledi considered critical from a regulatory view and holds high risk to public health and the environment. The CRR status indicates that all 3 plants have deteriorated to **critical risk state**. The findings demand the attention of municipal management.

#### Green Drop Findings:

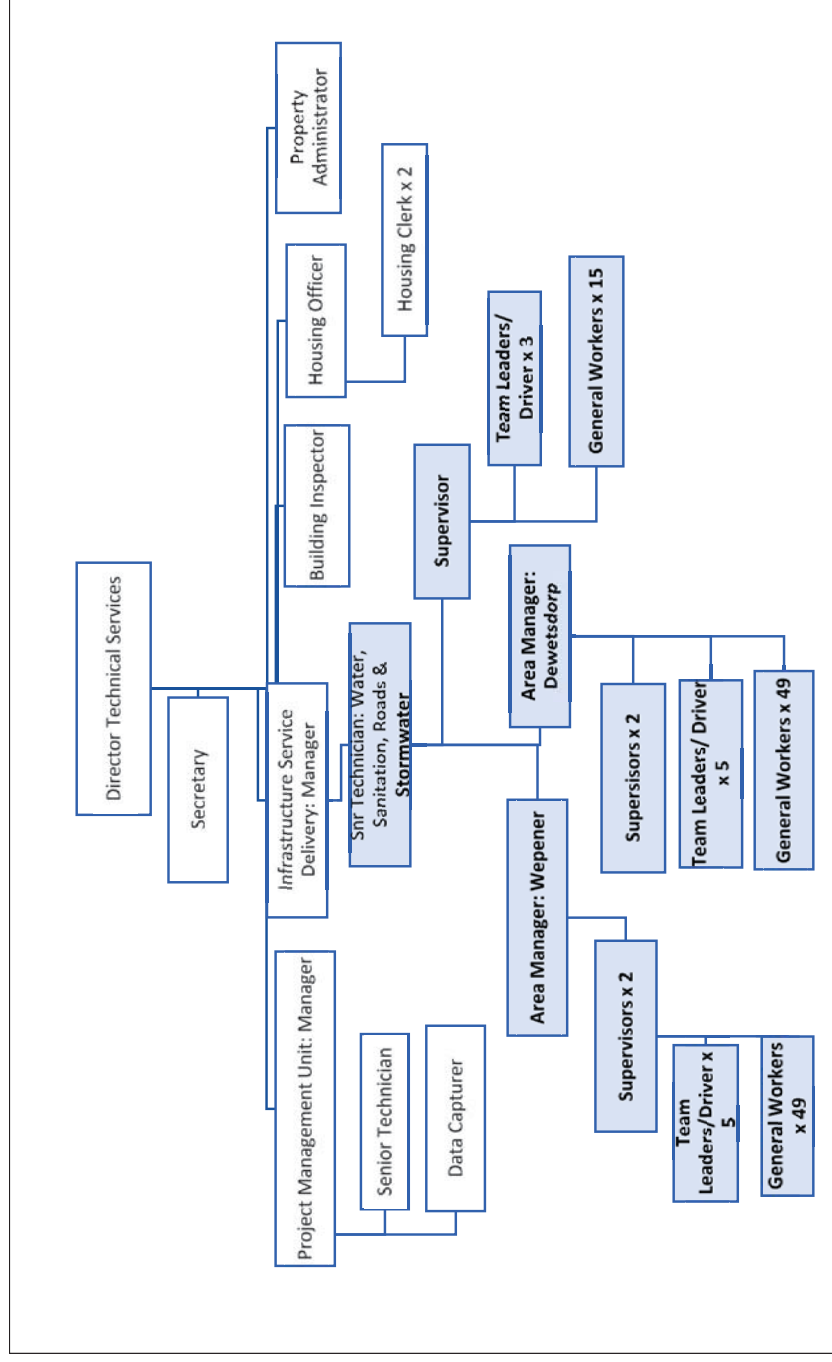
1. Three out of 3 wastewater treatment plants cannot determine its impact on receiving water and other natural resources, as result of the absence in monitoring.
2. This transgression reaches beyond effluent quality monitoring and include the absence of volumetric (flow) metering.

**FREE STATE**

Figure / Table 3.17: Backlog in terms of service delivery

Sanitation
Provision of Waste Water Risk Abatement Plan
Provision of Operations and maintenance Plan
Provision of Waste Water infrastructure to 1300 ervens in all three towns

Figure / Table 3.16: Organogram



**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					Proj	actual		
Basic Service Delivery	Phase out buckets systematically by making use of alternative technologies where viable and accepted To provide sufficient electricity and areas lighting to the highest affordable level to all communities	Install 0.5ml elevated water tank and interlinking pipeline in Dewetsdorp	Water tank installed, upgrade the bulk supply line, pumping facilities and interlinking pipe work	3.2 Mg/l, 10Km bulk water pipeline	Phase 1 Construction of interlinking pipeline for Boreholes	80%	Consultant and Contractor progressing slow	Intervention meeting with the Contractor
		Upgrading of waste water treatment works in Van Stadensrus	Number of ponds	4 Ponds	4 Ponds	4 Ponds	Complete	None
		Refurbishment of Waste Water Treatment Works in Wepener	Percentage of works done	Treatment works functional	10%	0%	None	None
		Waterborne Sanitation- Relocation of Raw Sewer Pump Station and connection of 150 households- Dewetsdorp (Hill site, river site)	Number of buckets eradicated +150. And relocation of 1 Pump station	150	Procurement	0	The Municipality has challenge with land servitude	The Municipality to arrange a meeting with farm owner

### 3.3 Electricity

Figure / Table 3.18: Energy or fuel for cooking: Naledi, Xhariep and RSA

	Naledi	Energy or fuel for cooking as a %: Naledi	Xhariep District	Energy or fuel for cooking as a %: Xhariep	RSA	Energy or fuel for cooking as a %: RSA
None	6370	83	114	0	31390	0%
Electricity	302	4	37965	84	10675094	74%
Gas	553	7	1667	4	507616	4%
Paraffin	362	5	3335	7	1227337	8%
Wood	11	0	1974	4	1807606	13%
Coal	75	1	47	0	104171	1%
Animal dung	11	0	186	1	45349	0%
Solar	0	0	73	0	22255	0%
Other	6	0	5	0	29344	0%

(Source: Census 2011)

Figure / Table 3.19: Energy or fuel for cooking: 2001-2011

Energy source for cooking	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
Electricity	2239	29.6	4554	55	6370	83
Gas	505	6.7	695	8.4	302	4
Paraffin	2717	35.9	2241	27.1	553	7
Wood	1445	19.1	597	7.2	362	5
Coal	62	0.8	42	0.5	11	0
Animal dung	570	7.5	150	1.8	75	1
Solar	19	0.3	0	0	11	0
Other	18	0.2	0	0	0	0
None	0	0	0	0	6	0

(Source: StatsSa)

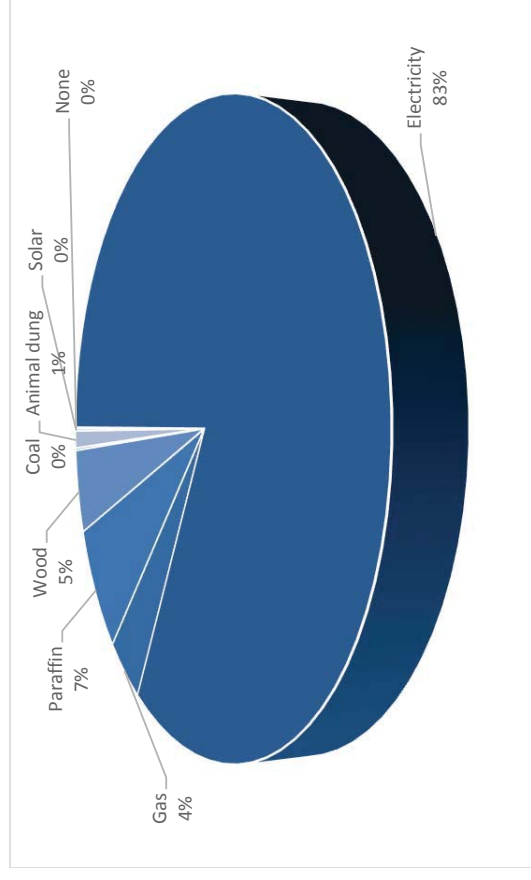


Figure / Table 3.20: Energy or fuel for cooking according to category and per ward

	None	Electricity	Gas	Paraffin	Wood	Coal	Animal dung	Solar
FS164: Naledi	6	6370	302	553	362	11	75	11
Ward 1	4	2142	120	173	132	2	41	5
Ward 2	-	1450	17	48	43	5	15	3
Ward 3	2	1338	90	214	167	1	15	1
Ward 4	-	1439	74	117	19	3	3	1

(Source: StatsSa)

Figure / Table 3.21: Energy or fuel for cooking



(Source: StatsSa)

Figure / Table 3.22: Energy or fuel for heating: Naledi, Xhariep and RSA

	Naledi	Energy or fuel for heating as a %: Naledi	Xhariep District	Energy or fuel for heating as a %: Xhariep	RSA	Energy or fuel for heating as a %: RSA
None	485	6	3865	8	1773372	12%
Electricity	3344	43	21684	48	8503109	59%
Gas	201	3	1136	2	357062	3%
Paraffin	2601	34	11208	25	1230223	9%
Wood	886	12	6860	12	2203384	15%
Coal	44	1	278	1	293949	2%
Candles (not a valid option)	0	0	0	0	-	0%
Animal dung	112	1	264	1	48251	0%
Solar	17	0	73	0	38370	0%
Other	0	0	0	0	2442	0%

(Source: Census 2011)

Figure / Table 3.23: Energy or fuel for heating: 2001-2011

Energy source for heating	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
Electricity	1735	22.9	2164	26.1	3344	43
Gas	180	2.4	305	3.7	201	3
Paraffin	1874	24.7	3144	38	2601	34
Wood	2417	31.9	1786	21.6	886	12
Coal	498	6.6	474	5.7	44	1
Animal dung	550	7.3	78	0.9	112	1
Solar	29	0.4	-	-	17	0
Other	292	3.9	327	4	0	0
None	0	0	0	0	485	6
Total	7575	100	8279	100	7690	100

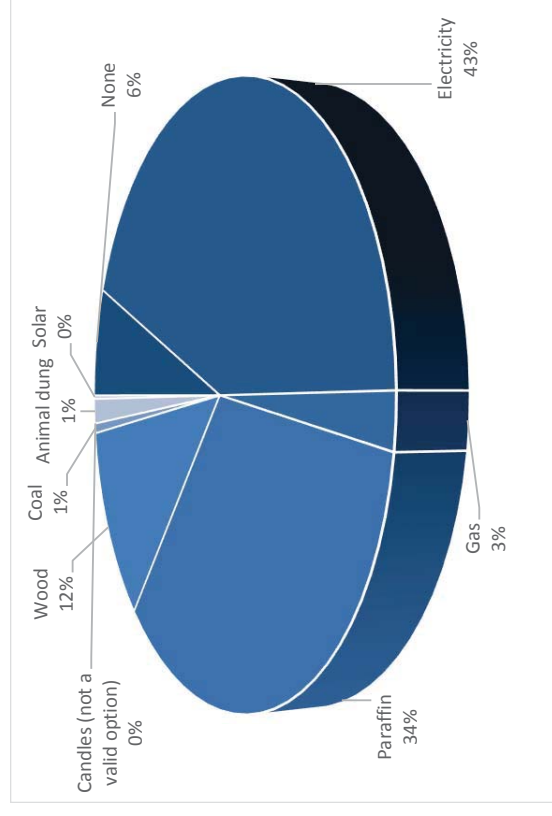
(Source: Census 2001, 2007, 2011)

Figure / Table 3.24: Energy or fuel for heating according to category and per ward

	None	Electricity	Gas	Paraffin	Wood	Coal	Candles (not a valid option)	Animal dung	Solar
FS164: Naledi	485	3344	201	2601	886	44	-	112	17
Ward 1	151	1053	81	936	328	13	-	50	9
Ward 2	168	925	19	307	120	11	-	29	2
Ward 3	67	665	55	639	366	15	-	22	2
Ward 4	99	702	47	719	72	5	-	10	4

(Source: StatsSA, Census 2011)

Figure / Table 3.25: Energy or fuel for heating



(Source: StatsSA, Census 2011)

Figure / Table 3.26: Energy or fuel for lighting: Naledi, Xhariep and RSA

	Naledi	Energy or fuel for lighting as a %: Naledi	Xhariep District	Energy or fuel for lighting as a %: Xhariep	RSA	Energy or fuel for lighting as a %: RSA
None	12	0	84	0	46621	0%
Electricity	7212	94	41817	92	12242401	85%
Gas	6	0	41	0	34347	0%
Paraffin	72	1	397	1	426205	3%
Candles (not a valid option)	374	5	2871	6	1649082	12%
Solar	14	0	158	1	51505	0%

(Source: Census 2011)

Figure / Table 3.27: Energy or fuel for lighting: 2001-2011

Energy source for lighting	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
Electricity	5893	77.8	7329	88.5	7212	94
Gas	5	0.1	-	-	6	0
Paraffin	364	4.8	96	1.2	72	1
Candles	1278	16.9	854	10.3	374	5
Solar	20	0.3	-	-	14	0
Other	15	0.2	-	-	0	0
None	0	0	0	0	12	0
Total	7575	100	8279	100	7690	100

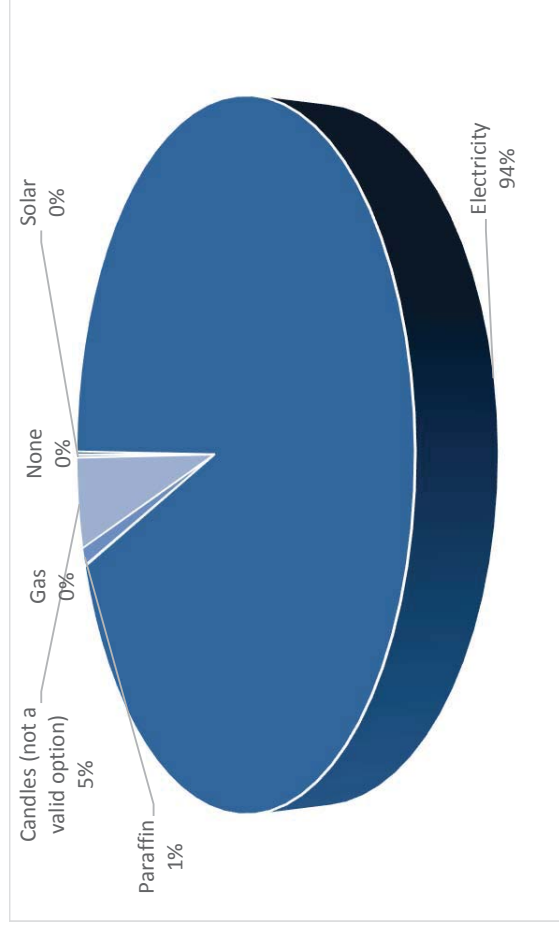
(Source: Statistics South Africa, 2001, 2007, 2011)

Figure / Table 3.28: Energy or fuel for lighting according to category and per ward

	None	Electricity	Gas	Paraffin	Candles (not a valid option)	Solar
<b>FS164: Naledi</b>	12	7212	6	72	374	14
<b>Ward 1</b>	4	2467	6	17	119	7
<b>Ward 2</b>	4	1516	-	9	52	1
<b>Ward 3</b>	4	1637	-	39	148	2
<b>Ward 4</b>	-	1592	-	6	56	4

(Source: Statistics South Africa, Census, 2011)

Figure / Table 3.29: Energy or fuel for lighting

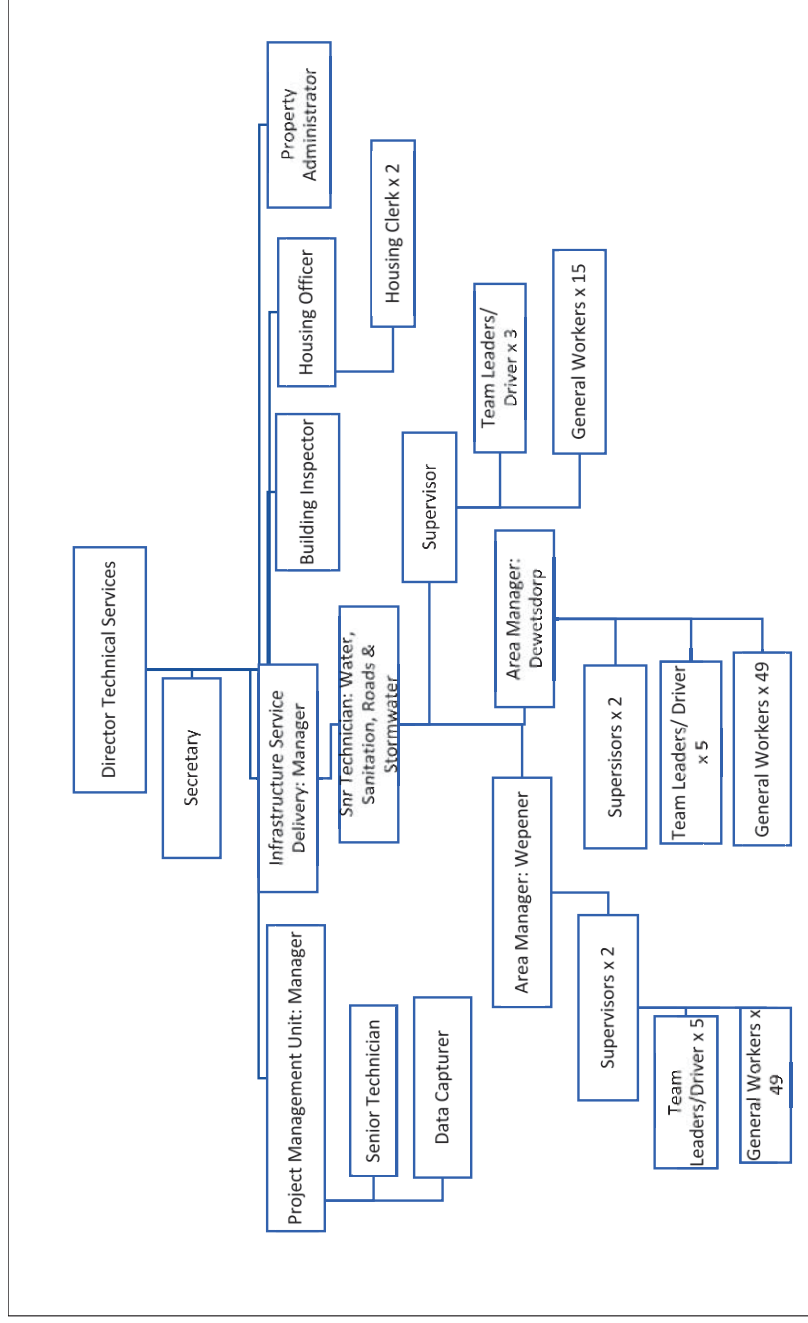


(Source: Statistics South Africa, Census, 2011)

Figure / Table 3.30: Backlog in terms of service delivery

Electricity
Provision of Electricity to 1300 Ervens in all three towns
Provision of high mast lights in Identified areas

Figure / Table 3.30: Organogram





**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/limitations</u>	<u>Corrective actions</u>
					Proj	actual		
Basic Service Delivery		Electrification of outstanding households in Wepener	Number of households electrified	45	45	45	none	none

### 3.4 Waste Management

*Figure / Table 3.31: Waste Removal: Naledi, Xhariep and RSA*

Category	Naledi	Refuse removal as a %: Naledi	Xhariep	Refuse removal as a %: Xhariep	RSA	Refuse removal as a %: RSA
Removed by local authority/private company at least once a week	3534	45	29951	66	8972934	62%
Removed by local authority/private company less often	114	1	1103	3	218302	2%
Communal refuse dump	77	1	1019	2	271787	2%
Own refuse dump	3604	47	11719	26	4075939	28%
No rubbish disposal	286	4	1078	2	781999	5%
Other	75	1	498	1	129201	1%

(Source: Census 2011)

Figure / Table 3.32: Waste Removal: 2001-2011

Refuse removal	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
Removed by local authority at least once a week	4291	56.6	6553	79.2	3534	45
Removed by local authority less often	398	5.3	50	0.6	114	1
Communal refuse dump	149	2	48	0.6	77	1
Own refuse dump	2009	26.5	1501	18.1	3604	47
No rubbish disposal	728	9.6	127	1.5	286	4
Other	-	-	-	-	75	1
Total	7575	100	8279	100	7690	100

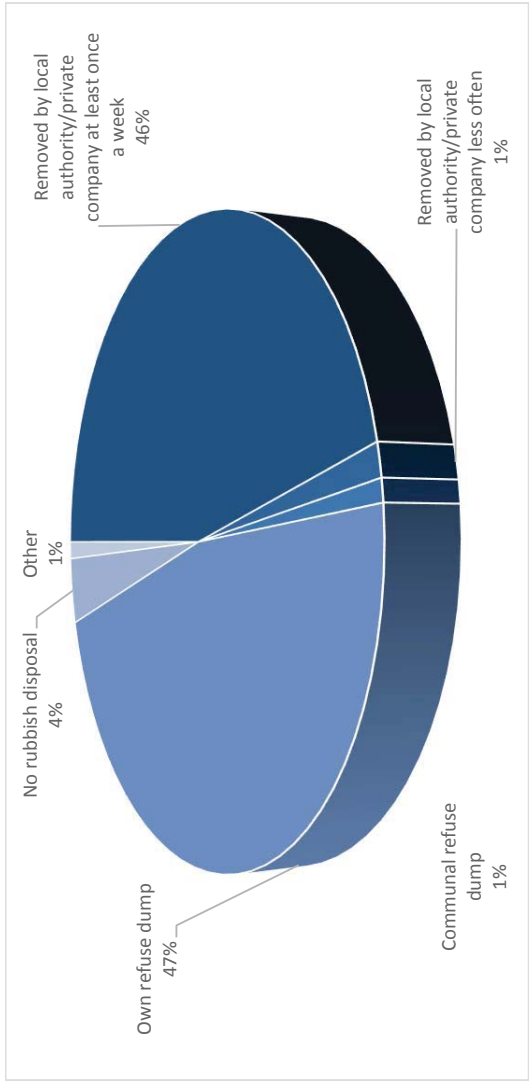
(Source: StatsSA)

Figure / Table 3.33: Waste Removal according to category and per ward

	Removed by local authority/private company at least once a week	Removed by local authority/private company less often	Communal refuse dump	Own refuse dump	No rubbish disposal	Other
FS164: Naledi	3534	114	77	3604	286	75
Ward 1	1457	19	42	927	138	37
Ward 2	1260	14	9	197	84	19
Ward 3	671	77	25	976	61	20
Ward 4	146	3	1	1504	3	-

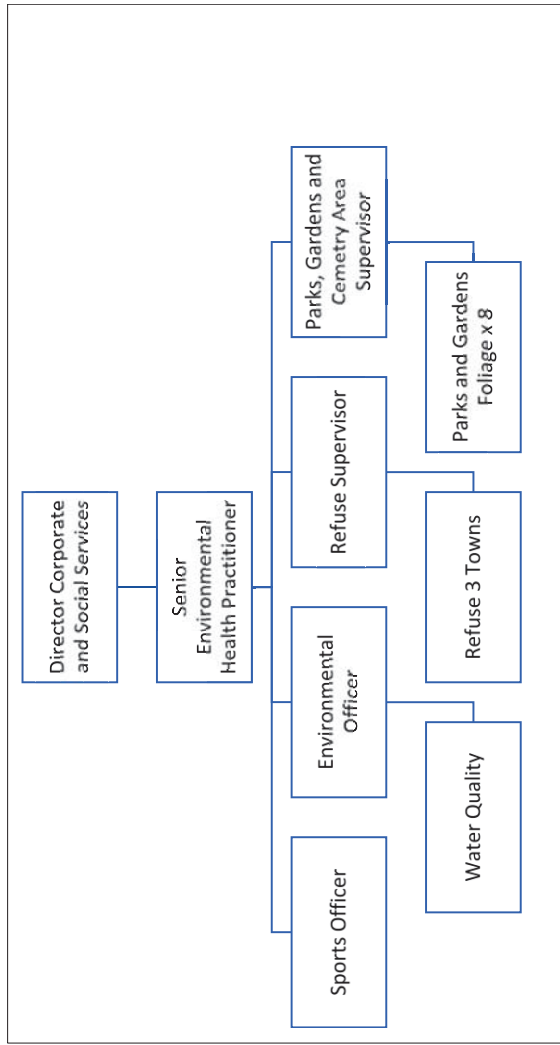
(Source: StatsSA)

Figure / Table 3.34: Waste Removal



(Source: StatsSA)

Figure / Table 3.35: Organogram



**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/limitations</u>	<u>Corrective actions</u>
					Proj	actual		
Basic Service Delivery	To provide sufficient refuse removal and waste disposal facilities to the highest affordable level to all urban areas	Illegal refuse dumps eradicated by end of March 2012.	Number of illegal dumping sites eradicated:	10 Dumping sites	3	Five (05) illegal dumps were eradicated. Two were converted to community parks by volunteers.	The Municipality does not have plant (yellow fleet) and sufficient budget and personnel. Community ignorance	Sufficient budget must be allocated for awareness campaigns and plant.
		Effective refuse collection	Once a week in all households	weekly	Weekly	Done	Lack of adequate refuse removal equipment.	Source funding to procure suitable equipment.

### 3.5 Housing

## 2.1 Analysis of Access to Basic Services: 2001-2011

Figure / Table 3.36: Dwellings: Naledi, Xhariep and RSA

	Naledi	Type of dwelling as a %: Naledi	Xhariep District	Type of dwelling as a %: Xhariep District	RSA	Type of dwelling as a %: RSA
House or brick/concrete block structure on a separate stand or yard or on a farm	6309	82	38256	84	9384029	65
Traditional dwelling/hut/structure made of traditional materials	34	0	181	0	1139918	8
Flat or apartment in a block of flats	35	1	240	1	720326	5
Cluster house in complex	42	1	70	0	146394	1
Townhouse (semi-detached house in a complex)	9	0	77	0	213105	1
Semi-detached house	106	1	299	1	213560	1
House/flat/room in backyard	15	0	448	1	422849	3
Informal dwelling (shack; in backyard)	662	9	2609	6	712956	5
Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	436	6	2837	6	1249777	9
Room/flatlet on a property or larger dwelling/servants quarters/granny flat	10	0	138	0	118984	1
Caravan/tent	0	0	20	0	14438	0
Other	30	0	193	1	113827	1

(Source: StatsSA)

Figure / Table 3.37: Analysis of Access to Dwellings: 2001, 2007, 2011

Type of dwelling	Census 2001		CS 2007		Census 2011	
	Households	% of Households	Households	% of Households	Households	% of Households
House or brick structure on a separate stand or yard	5507	72.7	6137	74.1	6309	82
Traditional dwelling/hut/structure made of traditional materials	297	3.9	212	2.6	34	0
Flat in block of flats	53	0.7	52	0.6	35	1
Town/cluster/semi-detached house (simplex: duplex: triplex)	36	0.5	-	-	157	2
House/flat/room in back yard	66	0.9	95	1.1	15	0
Informal dwelling/shack in back yard	148	2	167	2	662	9
Informal dwelling/shack NOT in back yard e.g. in an informal/squatter settlement	1431	18.9	1484	17.9	436	6
Room/flatlet not in back yard but on a shared property	12	0.2	74	0.9	10	0
Caravan or tent	24	0.3	-	-	0	0
Private ship/boat	1	0	18	0.2		
Workers' hostel (bed/room)	-	-	24	0.3		
Other	-	-	16	0.2	30	0
<b>Total</b>	<b>7575</b>	<b>100</b>	<b>8279</b>	<b>100</b>	<b>7688</b>	<b>100</b>

(Source: StatsSA, 2001, 2007, 2011)

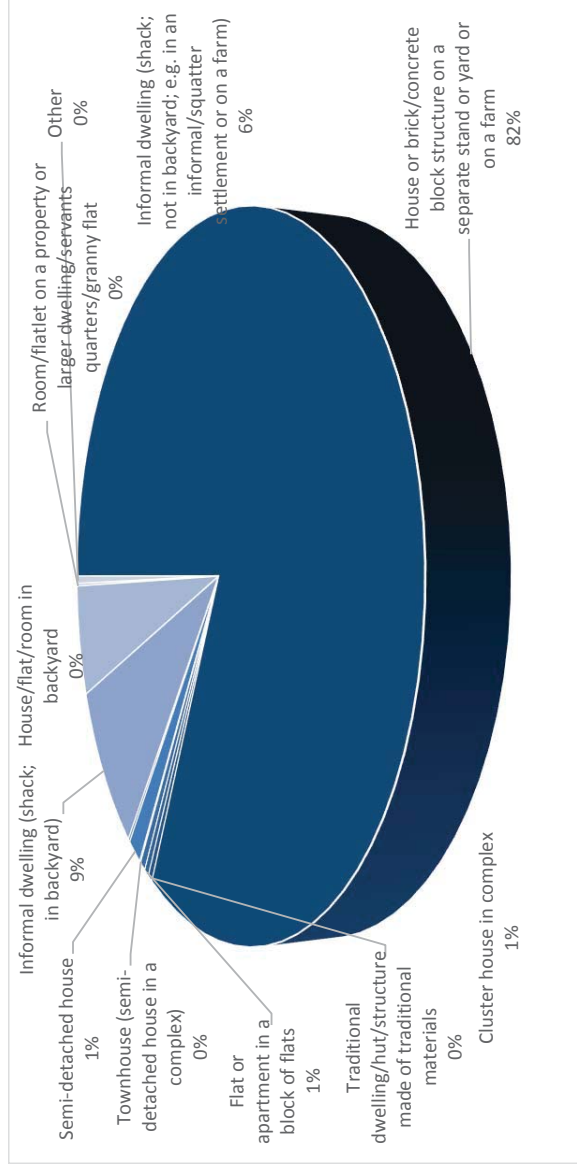
Figure / Table 3.38: Dwelling according to Wards in Naledi

	House or brick/concrete block structure on a separate stand or yard or on a farm	Traditional dwelling/hut/structure made of traditional materials	Flat or apartment in a block of flats	Cluster house in complex	Townhouse (semi-detached house in a complex)	Semi-detached house	House/flat/room in backyard	Informal dwelling (shack; in backyard)	Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	Room/flatlet on a property or larger dwelling/servants quarters/granny flat	Other
FS164: Naledi	6309	34	35	42	9	106	15	662	436	10	30
Ward 1	2113	11	10	1	2	-	5	301	158	7	13
Ward 2	1287	15	4	41	-	2	5	122	92	-	14
Ward 3	1596	7	10	-	5	1	5	72	130	3	1
Ward 4	1314	1	10	-	2	103	1	167	56	-	1

(Source: StatsSA)



Figure / Table 3.39: Dwellings



(Source: StatsSA)

Figure / Table 3.40: Housing – Census 2011

Category	Unit of measurement	Y2001	Y2011
Persons	Number of Persons	27479	24314
Households	Number of households	7575	7690
Average household size	Number of persons/house	3.63	3.16
Female headed households	Percentage / households		48% (3714 of 7690)
Formal dwellings	Percentage / households	78% (5909 of 7575)	85% (6545 of 7688)
Informal dwellings	Percentage/ households	22.1% (1670 of 7575)	15% (1143 of 7688)

(Source: StatsSA)



Figure / Table 3.41: Organogram

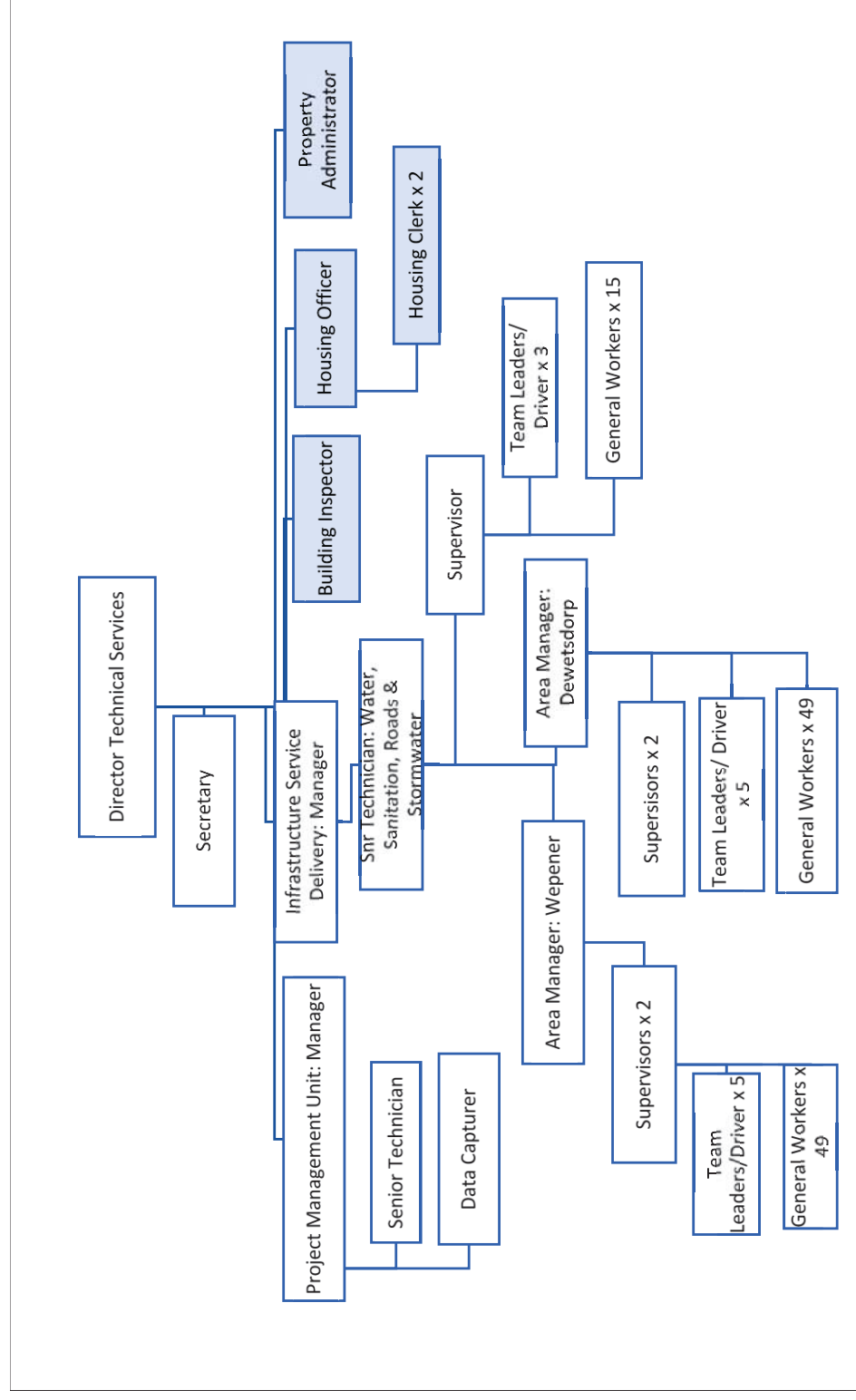


Figure / Table 3.42: Performance highlights in terms of service delivery for from 2010 to 2013 Financial Years respectively

2010/2011 FINANCIAL YEAR	2011/2012 FINANCIAL YEAR	2012/2013 FINANCIAL YEAR
<b>LAND AND HOUSING</b> None	<b>LAND AND HOUSING</b> <ol style="list-style-type: none"> <li>1. Construction of 200 houses in Dewetsdorp</li> <li>2. Construction of 150 houses in Wepener</li> <li>3. Formalization of 115 households in Van Stadensrus</li> <li>4. Review of the housing sector plan</li> </ol>	<b>LAND AND HOUSING</b> <ol style="list-style-type: none"> <li>1. Construction of 200 houses in Dewetsdorp</li> <li>2. Construction of 150 houses in Wepener</li> <li>3. Formalization of 115 households in Van Stadensrus</li> <li>4. Review of the housing sector plan</li> </ol>

Figure / Table 3.43: Backlog in terms of service delivery

Housing
Housing supply Dewetsdorp 339 (as per the current waiting list) Erven numbering (in line with Surveyor General Map) in three towns
Housing supply Wepener 224 (as per the current waiting list) Sites/houses for public servants Development of Housing Sector and Spatial Development Framework
Housing supply 101 Van Stadensrus (as per the current waiting list) Acquisition of land (Van Stadensrus) Provision for Housing Unit Personnel Refurbishment of Municipal Buildings in Dewetsdorp and Wepener

Performance Evaluation in terms of IDP Outcome targets:

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/limitations</u>	<u>Corrective actions</u>
					Proj	actual		
<b>Basic Service Delivery</b>	To eradicate the housing backlog	Construction of 150 houses in Van Stadensrus	Number of houses to be constructed	150 houses	150	40	Land	Purchasing of the land and expropriation
		Construction of 200 houses in Dewetsdorp	Number of houses to be constructed	200 houses	200	171	Failure of department of HS to pay contractors	Intervention by the Dept of HS to fast-track payments of the contractors
		Construction of 150 houses in Wepener	Number of houses to be constructed	150 houses	150	150	Contractor is out of site	Snag list need to be completed
		Review of the Housing Sector Plan	1 Housing sector plan reviewed.		Workshop with stakeholders for inputs	1 housing Sector Plan	The Municipality is still waiting for a written response from HS	Response from the HS

## Component B: Roads and Transport

### 3.6 Roads, Transport and Stormwater

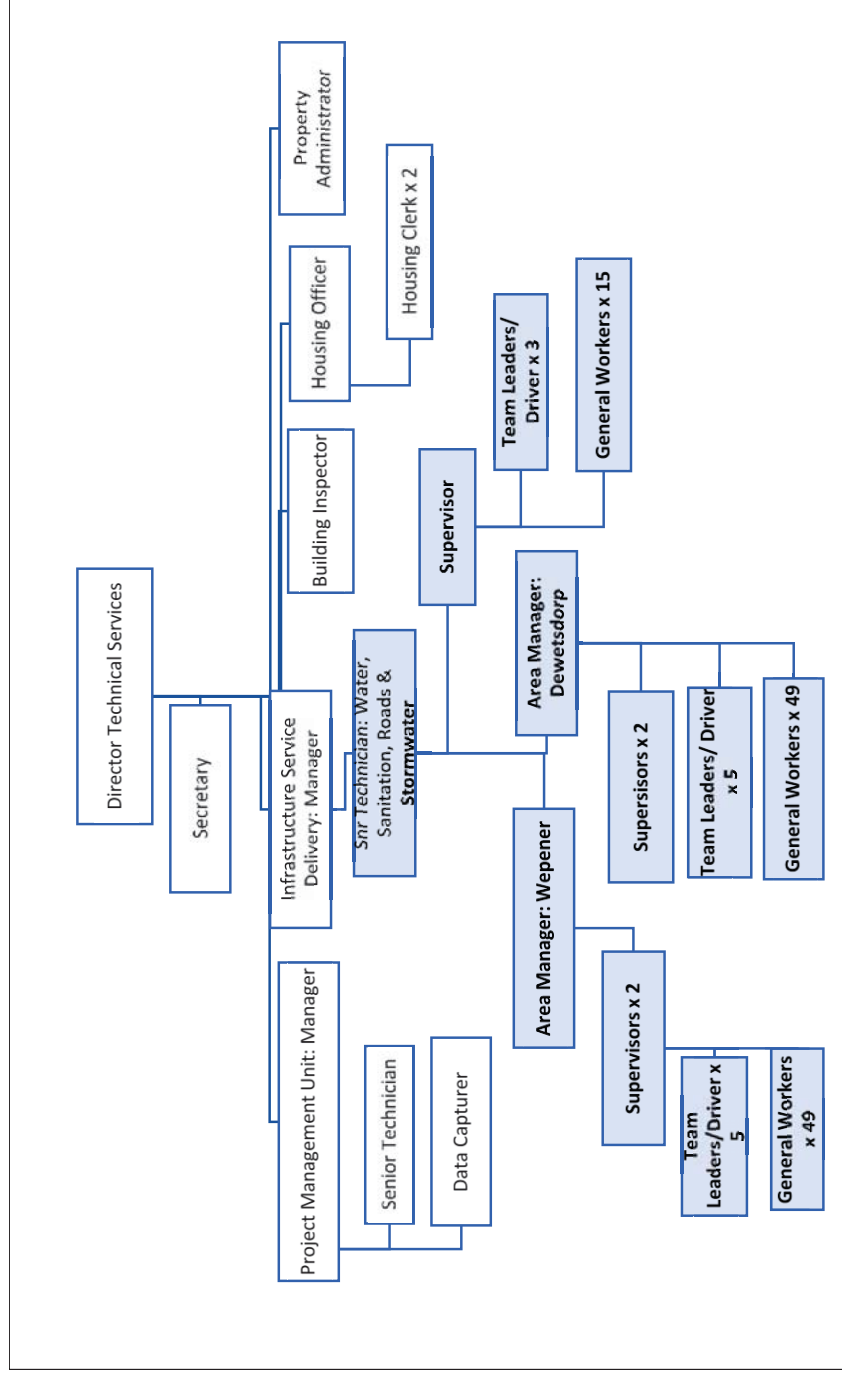
Figure / Table 3.44: Performance highlights in terms of service delivery for from 2010 to 2013 Financial Years respectively

2010/2011 FINANCIAL YEAR	2011/2012 FINANCIAL YEAR	2012/2013 FINANCIAL YEAR
<b>ROADS AND STORMWATER</b> <ol style="list-style-type: none"> <li>1. Paving of Roads (2,98km) in Dewetsdorp Morojaneng</li> <li>2. Upgrading of Internal Streets in Naledi (Dewetsdorp, Riverside)</li> <li>3. Wepener: Construction of low level bridge and access road</li> </ol>	<b>ROADS AND STORMWATER</b> <ol style="list-style-type: none"> <li>1. Wepener: Construction of low level bridge and access road</li> <li>2. Upgrading of Internal Streets in Naledi (Dewetsdorp, Riverside)</li> </ol>	<b>ROADS AND STORMWATER</b> <ol style="list-style-type: none"> <li>1. Wepener/ Ebenhaezehoogte: Paving of 1.5km internal street</li> <li>2. Wepener: Construction of low level bridge and access road</li> </ol>

Figure / Table 3.45: Backlog in terms of service delivery for from 2010 to 2013 Financial Years respectively

Roads
Development of roads infrastructure maintenance plan Construction of roads and storm water infrastructure Procurement of Earth moving Plant/ vehicles dedicated for roads and storm water Construction of speed humps in identified areas. Re-gravelling of streets in all three towns

Figure / Table 3.46: Organogram





**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					Proj	actual		
<b>Basic service delivery</b>	To provide sufficient access and distribution roads in Naledi areas To maintain a good quality standard in all roads and storm water infrastructure	Construction of low level Bridge and access road in Wepener (Project brought forward due to the urgent requirement from recent fatality incident.	Km of roads paved, Number of bridge constructed.	1Km 1 Low level bridge	1Km	1Km	Complete	None
					1.5Km Paved	1.5Km Lower layers		
		Wepener, EbenhaezerHoogte: Construction of 1.5k paved internal streets	KM of roads paved	1,5 Km Paved	1.5Km Lower layers	0	Limited funds	None

## **Component C: Planning and Development**

### **3.7 Planning and Local Economic Development**

#### **Local Economic Development**

Naledi Local Municipality was established in terms of Section 14 of the Local Government: Municipal Structures Act, Act No 117 of 1998 and was published in Provincial Gazette No 109 dated 28 September 2000. This Local Municipality is a category B municipality with a plenary executive system as contemplated in Section 3(b) of the Determination of Types of Municipality Act, 2000 (Act No 1 of 2000).

The municipality is located within Xhariep District Municipality and covers an estimated area of 11 933.24 square kilometers, 64% of which is farmland. The major towns within the Naledi areas of jurisdiction include Dewetsdorp / Morojaneng, Wepener / Qibing, Van Stadensrus / Thapelong and Farmland (rural areas).

#### **WHAT IS LOCAL ECONOMIC DEVELOPMENT**

Local Economic Development can be described as a process by which public, private and community role players within a specific area manage their shared resources in a manner that is sustainable and equitable through an inclusive and participative process. This process should ideally be based on partnership arrangements and could include the formation of new institutions, the development of alternative industries, the improvement in capacity of existing employers to produce better products, the development of new markets, the sharing of knowledge, as well as the promotion of new firms and businesses. (Blakely, 1994)

In contrast to traditional development policies, Local Economic Development strategies promote local dialogue and enable people to be more proactive; help to make local institutions better contribute to development; make economic activity dependent on the comparative advantages

of a specific territory, generating development by firms more capable to withstand changes in the global economic environment rather than top-down development imposed by national planners (Wikipedia dictionary).

LED is essentially about building partnerships between role players within a shared area. These partnerships are necessary in order to identify the best means to use the resources that they share. These resources ultimately need to be used in a way that is sustainable and equitable.

LED is essentially about bringing economic benefits and an improved quality of life for all residents within an area. Since there can be no way of measuring our success in achieving our goals if we do not know what our goals are, it is essential that any LED strategy be cognizant of the primary goal of improved quality of life for all. The recognition of this fact will ensure that economic growth is not pursued as an end to itself, but rather as a vehicle through which an improved quality of life can be facilitated, particularly for poorer residents. This is also essentially the difference between economic growth and economic development.

## **Strategic goals of LED**

### **Sustainable Economic Growth:**

Has to focus on investment and growth that is based on the appropriate, effective and efficient development and utilization of Naledi's human, physical, natural, financial and social resources - in essence its comparative advantage. Developing comparative advantages should be based on using resources that are renewable and growth has to facilitate broad-based access and participation in the local economy, in order to promote equity and sustainability. Sustainability refers to the utilization of resources in a manner that does not compromise the ability of future generations to address their specific needs (Agenda 21 definition).

#### **Job creation:**

Has to focus on initiatives that create meaningful, sustainable and long-term employment opportunities; and be based on meaningful skills development and training.

### **Education, Training and Skills Development:**

Should be an integral part of an LED strategy and should include both formal and informal mechanisms such as mentoring and ongoing in-service training. This should be geared at developing technical and life orientation skills that encourages career growth and entrepreneurship, while the promotion of excellence in the execution of work is imperative. Investing in human resources requires increasing the capacity and ability of local education and vocational training institutions to provide the required services to the local population. Investment in human resources should promote greater equality and equity for all in terms of access to education and training facilities; it should consciously work towards addressing the specific needs and shortcomings of historically disadvantaged individuals and communities.

### **Poverty Reduction:**

Has to focus on the sustainable livelihoods approach as opposed to a 'welfare' approach. While the emphasis of poverty alleviation is on mechanisms such as grants and donations, poverty reduction considers more sustained and long term solutions. Recent initiatives in this regard focuses on facilitation of access to human, financial, natural, social and physical assets as key components of household's sustainable livelihood.

### **Broad Based Black Economic Empowerment:**

Has to lead to economic empowerment that not only benefit a few; it should ultimately increase broader based participation and ownership for the majority of disadvantaged communities and individuals in the local economy. BBBEE should focus on partnership initiatives that result in skills transfer and capacity building; that contributes towards reduction of the gap between the haves and have-nots. The requirements of the BBBEE Act 53 of 2003, the National Sector Charter as well as the Codes of Good Practice should be taken into cognizance. Particular focus is required on key growth sectors and industries of relevance to Naledi such as agriculture; tourism; construction; business services and trade.

### **NALEDI MUNICIPALITY'S VISION FOR ECONOMIC DEVELOPMENT**

Naledi Local Municipality's vision is to strive to be a constantly progressive municipality where quality services and a healthy and safe environment empower the harmonized community to develop their own economic security in a sustainable local future for all. Naledi Local Municipality is committed to work with all relevant stakeholders at all levels in an endeavour to advance its vision and mission. Our sustainable development strategies are focused on exploitation and support of key local economic sectors to stimulate employment and growth, intensive capital investment in basic infrastructure to attract investment and create sustainable communities. These will be realised through the creation and maintenance of systems and governance structures to ensure accountability to the community.

The planning undertaken in developing the IDP was aligned with, and complements Governments Policy Priorities for 2010/2011 Medium Term Revenue and Expenditure Framework (MTREF) and other development plans of other organs of state so as to give effect to the principles of co-operative government contained in section 41 of the Constitution.

#### LIST OF PROJECTS THAT LED IS RUNNING

LOCAL ECONOMIC DEVELOPMENT			WARD
1	MOROJANENG LEKOKO PIGGERY PROJECT (Dewetsdorp)	1	
2	KUTLWANO POULTRY PROJECT (Dewetsdorp)	2	
3	EYETHU BRICK LAYING COOPERATIVE (Dewetsdorp)	1	
4	DSW BAKERY (Dewetsdorp)	1	
5	Ikemeleng Basadi (Dewetsdorp)	2	
6	DELA CASA – WOOD PROJECT(Dewetsdorp)	2	
7	Ipopenng Basadi Poultry project (Wepener)	4	
8	Ikaheng sewing and knitting (Wepener)	4	
9	Phahamisanang vegetables (Wepener)	4	
10	Mphatlalatsane Bakery (Wepener)	4	
11	Thandolwethu piggery cooperative (Wepener)	4	
12	Ahanang Bakery (Van Stadensrus)	3	
13	Sunrise vegetables project (Van Stadensrus)	3	
14	Lekgala Grass Project (Van Stadensrus)	3	
15	Ipopenng Basadi Art project (Van Stadensrus)	3	
16	Milk Dairy Goat Farming (Van Stadensrus)	3	
17	Tswelopele poultry project (Van Stadensrus)	3	
18	Bricklaying factory (Wepener)	4	
19	Sand Mining (Cooperative) (Wepener)	4	
20	Waste management project	All Wards	
21	Lesere Project	3	

## INTEGRATED DEVELOPMENT PLANNING

An Integrated Development Plan is an inclusive and strategic plan for the development of the Municipality which links, integrates and co-ordinates plans, aligns resources and forms the framework on which annual budgets must be based. The IDP also addresses the National and Provincial Growth and Development Strategies. An Integrated Development Plan adopted is the principal strategic instrument guiding all planning, management, investment, development and implementation decisions taking into account input from all stakeholders.

### **It reflects the following matters as imperative:**

- (a) The Municipal Council's vision, mission and values for the long term development of the Municipality
- (b) An assessment of the existing level of development
- (c) The council's development priorities and objectives
- (d) The council's development strategies
- (e) The council's operational strategies
- (f) A financial plan
- (g) The key performance indicators and performance targets

In terms of Section 34 of the Municipal Systems Act, 2000:

A Municipal council:-

Must review its Integrated Development Plan annually in accordance with an assessment of its performance measurement to the extent that changing circumstances so demand; and may amend its IDP in accordance with the prescribed process.

The relationship between IDP and Performance Management is therefore legislated and regulated. The Performance Management System serves to measure the performance of the municipality on meeting its Integrated Development Plan. The SDBIP is then used to measure the above mentioned matters, to significantly align and implement these issues.



## **IDP CAPACITY RANKING OF THE MUNICIPALITY**

The municipality IDP was rated medium by the Provincial IDP Assessment team and major issues raised by the team was sector plans which were not reviewed for some time. The Municipality is quite happy with the rating; however there is a need and space for improvement.

## **SPATIAL DEVELOPMENT FRAME WORK (SDF)**

The Spatial Development Framework is currently under review. All Sector Plans needs to be reviewed as many of them have not been reviewed since they were adopted by Council in previous Financial Years. Local Economic Development was since reviewed in 2011/2012 and must be reviewed as soon as possible.

## **CHALLENGES**

Compilation of the statutory sector plans have been a serious challenge for the municipality e.g. WSDP; Disaster Management Plan, Integrated Waste Management Plan, and many others related statutory sector plans which informs the IDP.

Support from other role players especially political support, it requires to be re-evaluated particularly attendance in community meetings where planning is made. Lack of understanding by the community on the phases of the IDP (there is a need for training of IDP Representative Forum); and financial capacity on development of sector plans. Training for the Councilor responsible for IDP & Budget, appointed IDP & PMS Manager and PMS Officer still remains a challenge.

## **INTERVENTIONS BY NATIONAL AND PROVINCIAL GOVERNMENT, SALGA AND OTHER GOVERNMENT AGENCIES**

Support on the development of credible IDP by COGTA; Soliciting support and commitment from other sector departments on behalf of the municipality during the review process.

There is always the pitfall to guard against that the community expect the municipality to create jobs, whereas the municipality can only ensure jobs by creating a conducive environment for local economic development.

*Figure / Table 3.47: Annual Household Income*

Total households with annual household income per ward

	No income	R 1 - R 4800 - R 9601 - R 19 600	R 19 601 - R 38 200 - R 38 201 - R 76 400	R 76 401 - R 153 800 - R 153 801 - R 307 600	R 307 601 - R 614 400 - R 2 457 601 or more
FS164: Naledi	1090	3298	2406	722	173
Ward 1	323	1170	821	247	59
Ward 2	175	673	584	120	30
Ward 3	299	692	553	224	63
Ward 4	293	764	447	132	21

(Source: Stats SA, 2011)

*Figure / Table 3.48: Sector Type of Economic Activity*

Total households with according to Sector Type of Economic Activity

	In the formal sector	In the informal sector	Private household	Do not know	Not applicable
FS164: Naledi	2787	811	1153	81	19482
Ward 1	948	282	421	45	6750
Ward 2	568	279	209	19	4250
Ward 3	720	175	450	14	4112
Ward 4	550	74	73	3	4369

(Source: Stats SA, 2011)

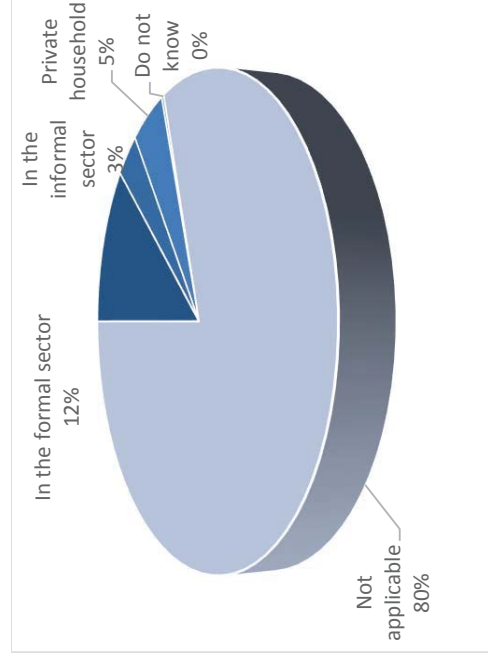
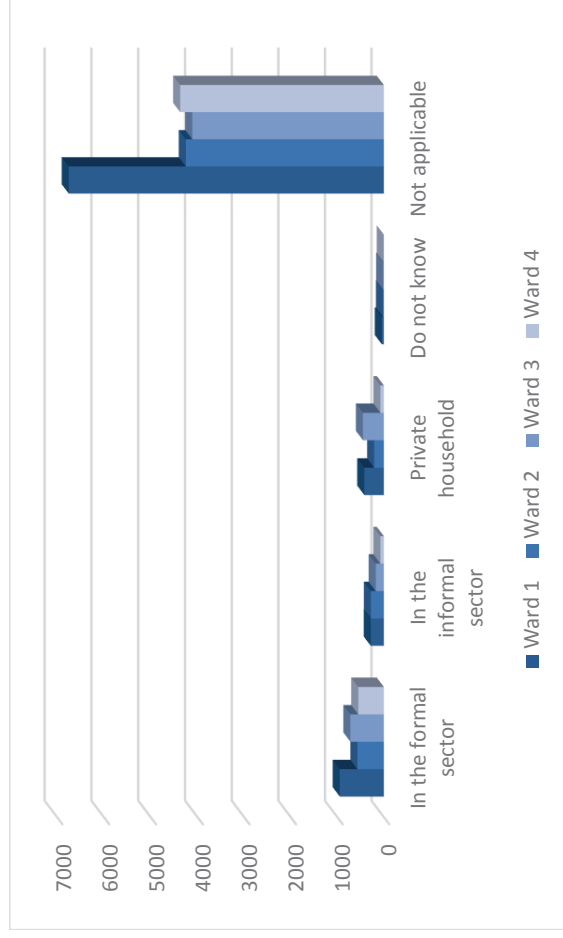
% of Total households with annual household income per ward

	No income	R 1 - R 4800 - R 9601 - R 19 600	R 19 601 - R 38 200 - R 38 201 - R 76 400	R 76 401 - R 153 800 - R 153 801 - R 307 600	R 307 601 - R 614 400 - R 2 457 601 or more
FS164: Naledi					
Ward 1	30	35	34	34	34
Ward 2	16	20	24	17	17
Ward 3	27	21	23	31	36
Ward 4	27	23	19	18	12

% of Total households with according to Sector Type of Economic Activity

	In the formal sector	In the informal sector	Private household	Do not know	Not applicable
FS164: Naledi					
Ward 1	34	35	37	56	35
Ward 2	20	34	18	23	22
Ward 3	26	22	39	17	21
Ward 4	20	9	6	4	22

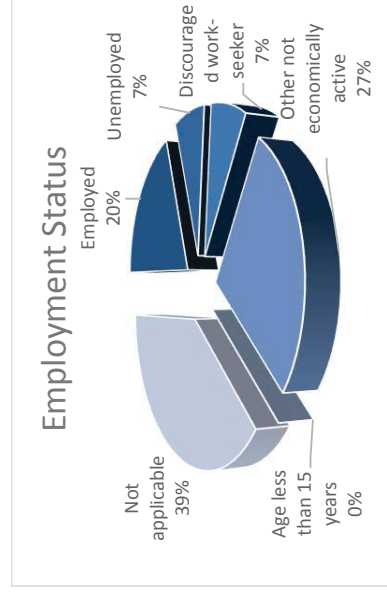
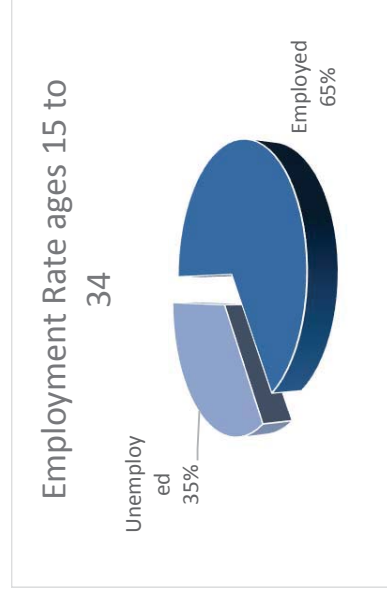
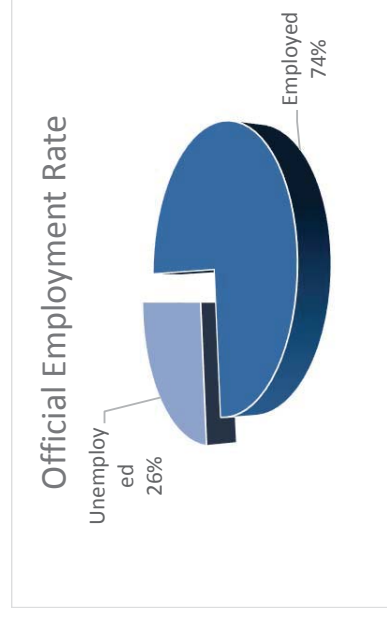
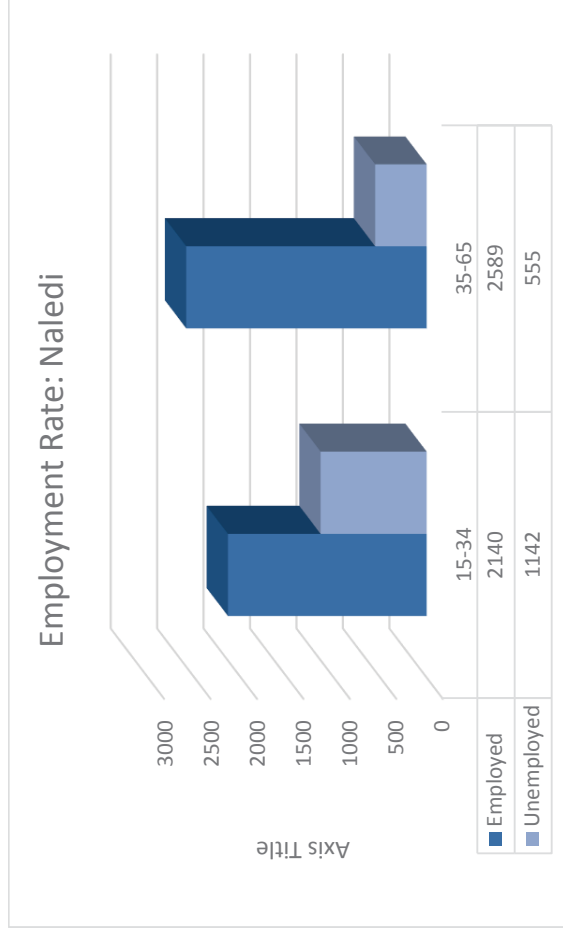
Figure / Table 3.49: Economic sectors per ward



	In the formal sector	In the informal sector	Private household	Do not know	Not applicable
FS164: Naledi	2787	811	1153	81	19482
Ward 1	948	282	421	45	6750
Ward 2	568	279	209	19	4250
Ward 3	720	175	450	14	4112
Ward 4	550	74	73	3	4369

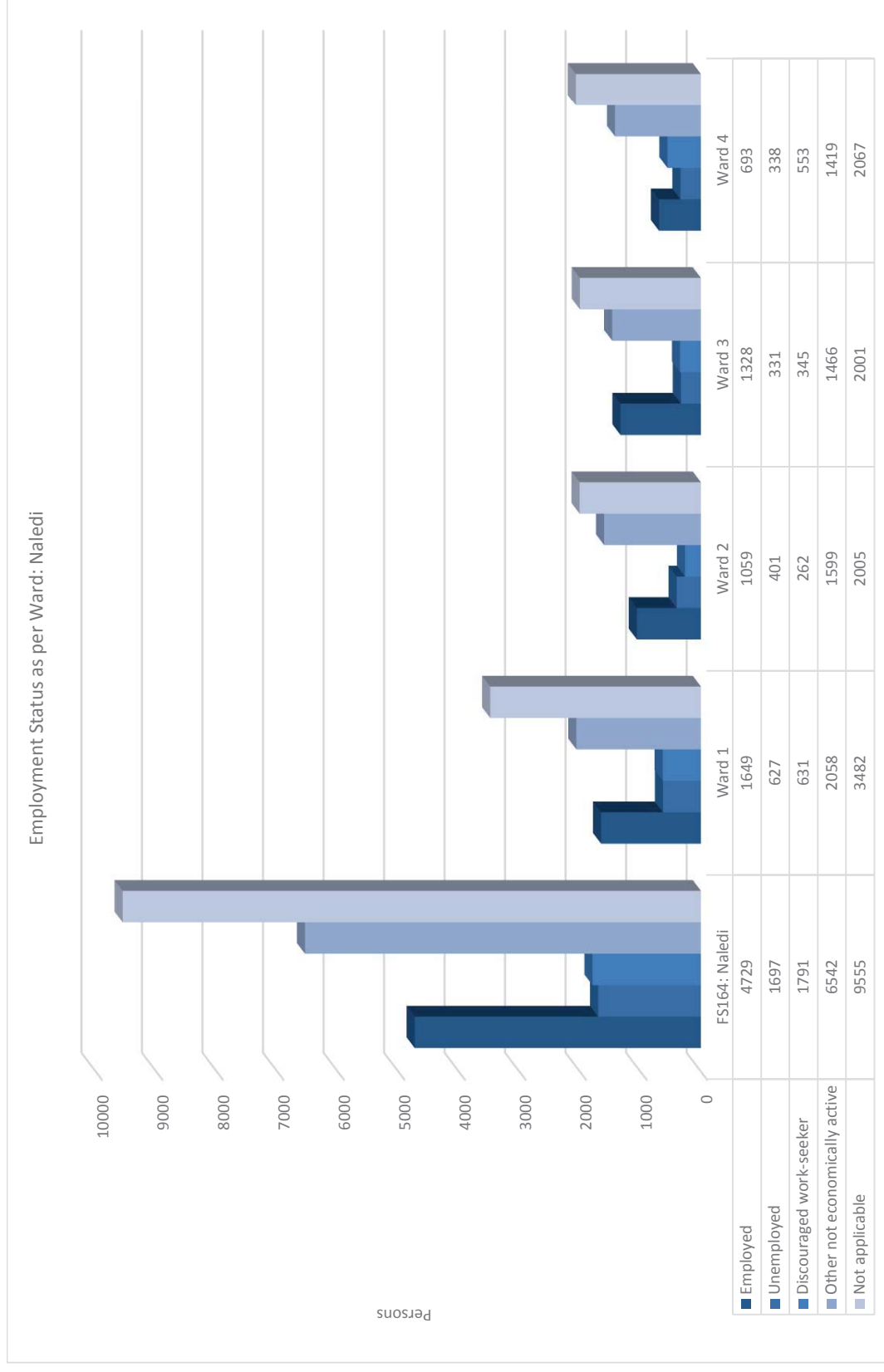
(Source: Stats SA, Census 2011)

Figure / Table 3.50: Labour and Educational Profile: 2011 Census



(Source: StatsSA, Municipal Fact Sheet, Census, 2011)

Figure / Table 3.51: *Employment profile per ward* (StatsSA, Census, 2011)



(Source: StatsSA, Census, 2011)

Figure / Table 3.52: Employment Rate versus Qualifications Grade 12 and higher (StatsSA, Census, 2011)

	Employed		Unemployed		Discouraged work-seeker	
	15 - 34	35 - 65	15 - 34	35 - 65	15 - 34	35 - 65
Grade 12 / Std 10 / Form 5	667	460	323	55	327	83
NTC I / N1/ NIC/ V Level 2	1	3	-	1	1	-
NTC II / N2/ NIC/ V Level 3	1	5	-	1	-	1
NTC III/ N3/ NIC/ V Level 4	5	13	-	-	-	-
N4 / NTC 4	3	3	2	-	2	1
N5 /NTC 5	9	3	1	-	-	-
N6 / NTC 6	5	-	2	-	1	1
Certificate with less than Grade 12 / Std 10	-	4	-	-	-	-
Diploma with less than Grade 12 / Std 10	2	5	-	1	-	-
Certificate with Grade 12 / Std 10	24	27	13	-	1	1
Diploma with Grade 12 / Std 10	43	56	3	5	4	4
Higher Diploma	31	88	-	1	3	1
Post Higher Diploma Masters; Doctoral Diploma	2	9	-	-	-	-
Bachelors Degree	19	38	1	1	-	-
Bachelors Degree and Post graduate Diploma	11	43	-	-	-	-
Honours degree	9	39	-	1	-	-
Higher Degree Masters / PhD	3	16	-	-	1	-

(Source: StatsSA, Census, 2011)

Figure / Table 3.53: Level of Education (StatsSA, Census, 2011)

	Gade 0 - Grade 7 / Std 5 / ABET 3	Grade 8 / Std 6 / Form 1 - N6 / NTC 6	Certificate with less than Grade 12 / Std 10 - Diploma with less than Grade 12 / Std 10	Certificate with Grade 12 / Std 10 - Post Higher Diploma Masters; Doctoral Diploma	Bachelors Degree - and Post graduate Diploma	Honours degree - Higher Degree Masters / PhD	Other - Not applicable
FS164: Naledi	9993	9523	22	424	140	84	4128
Ward 1	3467	3181	10	148	60	35	1546
Ward 2	2216	2089	5	50	19	17	929
Ward 3	2306	2133	4	143	48	19	818
Ward 4	2004	2120	3	82	13	13	834

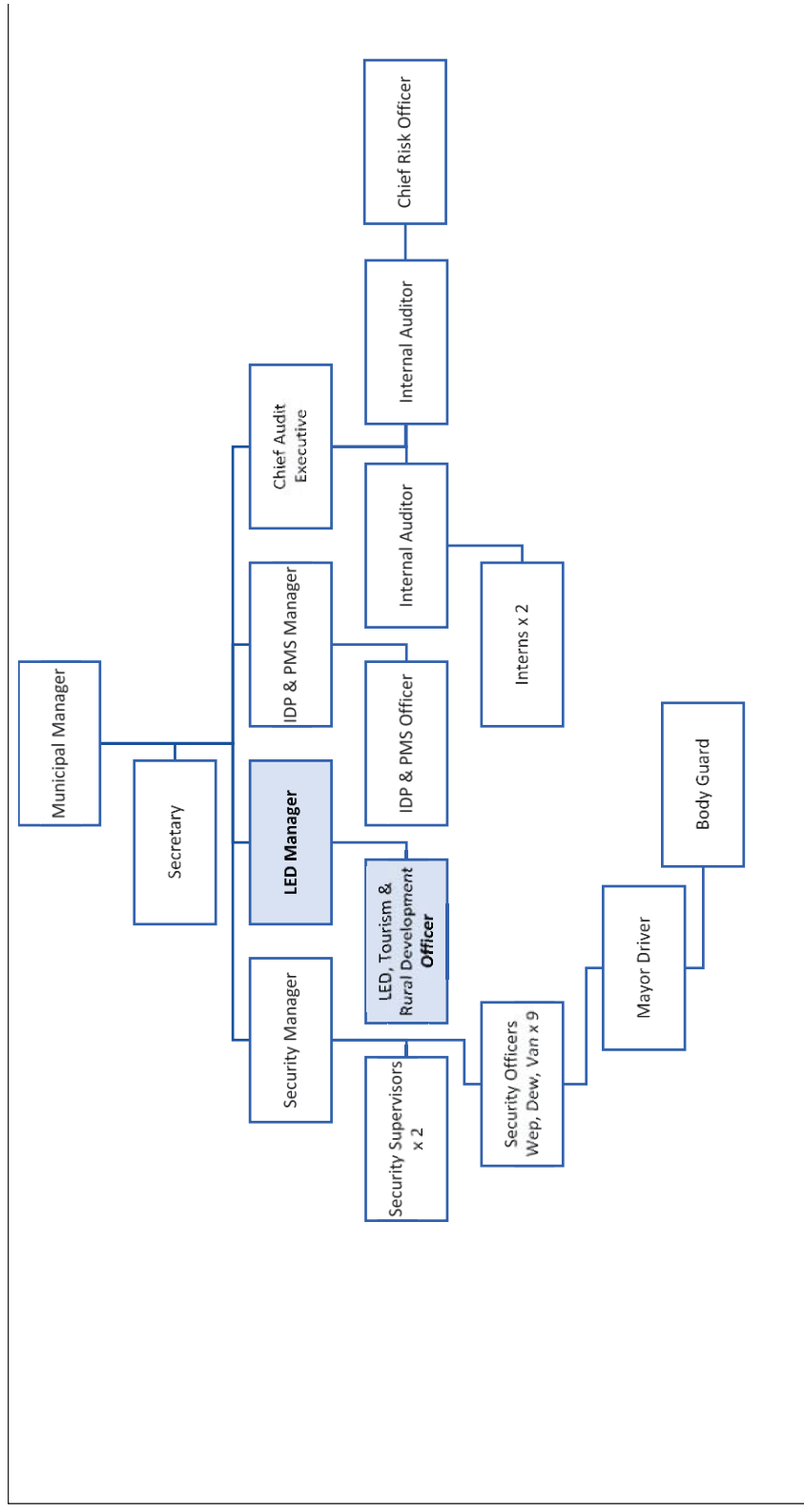
Figure / Table 3.54: Income distribution (Individual Monthly Income)

	No Income	R 1 - R 400 - R 1 601 - R 3 200	R 3 201 - R 6 400 - R 12 801 - R 25 600	R 25 601 - R 51 200 - R 102 401 - R 204 800	R 204 801 or more
FS164: Naledi	9130	12913	1289	118	12
Ward 1	2771	4921	436	38	5
Ward 2	1811	2921	211	23	1
Ward 3	2232	2598	433	43	5
Ward 4	2316	2473	209	12	1

(Source: StatsSA, Census 2011)



Figure / Table 3.55: Organogram



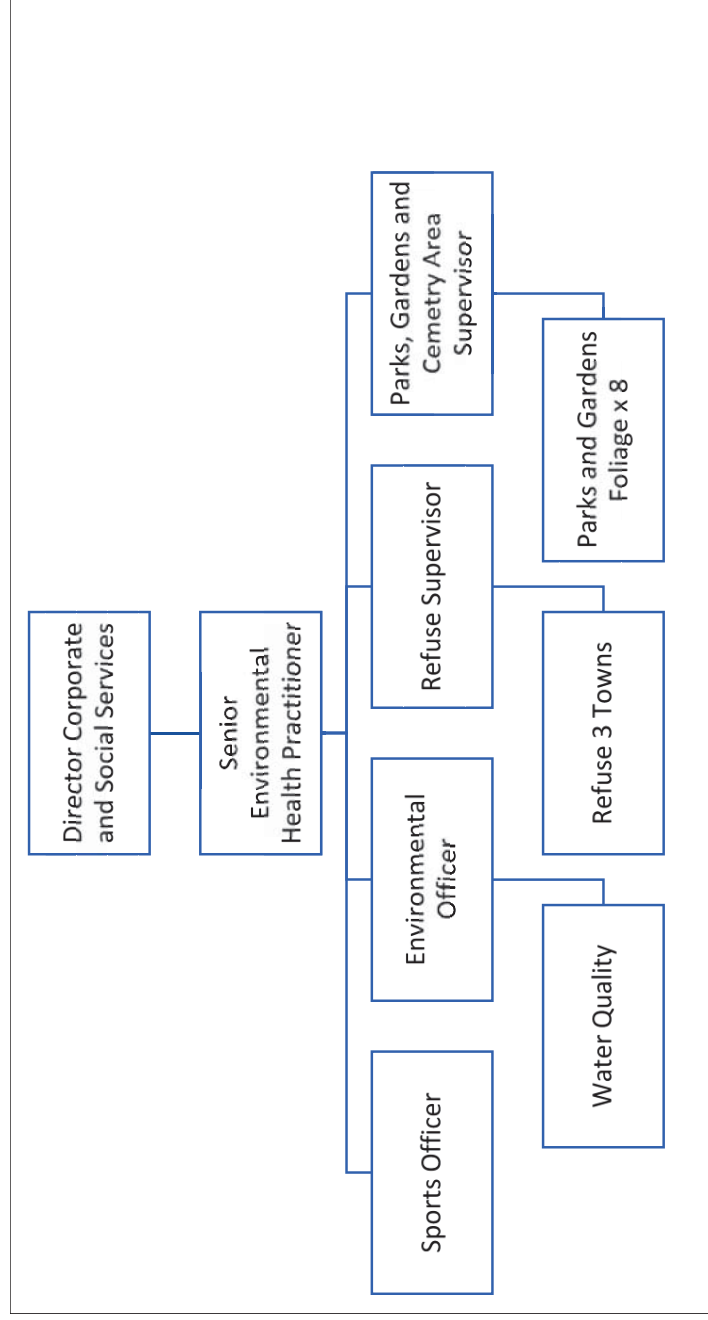
**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
<b>Local economic development</b>	To develop SMME's with access to resources such as skill and finance	Review of the Local Economic Development Strategy	Reviewed LED Strategy	To have LED Strategy Document	Draft LED Strategy	Draft strategy	None	None
		Support and Establishment of Cooperatives	No. of Cooperative. 8	8	8	8	None	None
		LED/Business support and capacity building	Provide trainings/ workshop	8	No training/workshop conducted	Training provided for 45 SMME	Budget	R57 000 made available for the project.

## Environmental Issues

Figure / Table 3.56: Organogram

Waste Management, Parks, Gardens & Cemeteries Unit



**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/limitations</u>	<u>Corrective actions</u>
					Proj	actual		
<b>Basic Service Delivery</b>	To capacitate all urban communities regarding the functioning of all services and infrastructure	Conduct awareness campaign on environmental health issues (illegal dumping of refuse)	9 awareness campaigns	0	3	Four(04) awareness campaigns base on nine programs of Municipal Health service were conducted	Municipal health services are not budgeted for.	According to the National Health Act and the provincial gazette number 10 of 2011 said the Municipal health Service is competency of the Xhariep district Municipality. Therefore the devolution of services needs to take place where sufficient budget will be allocated to the function.

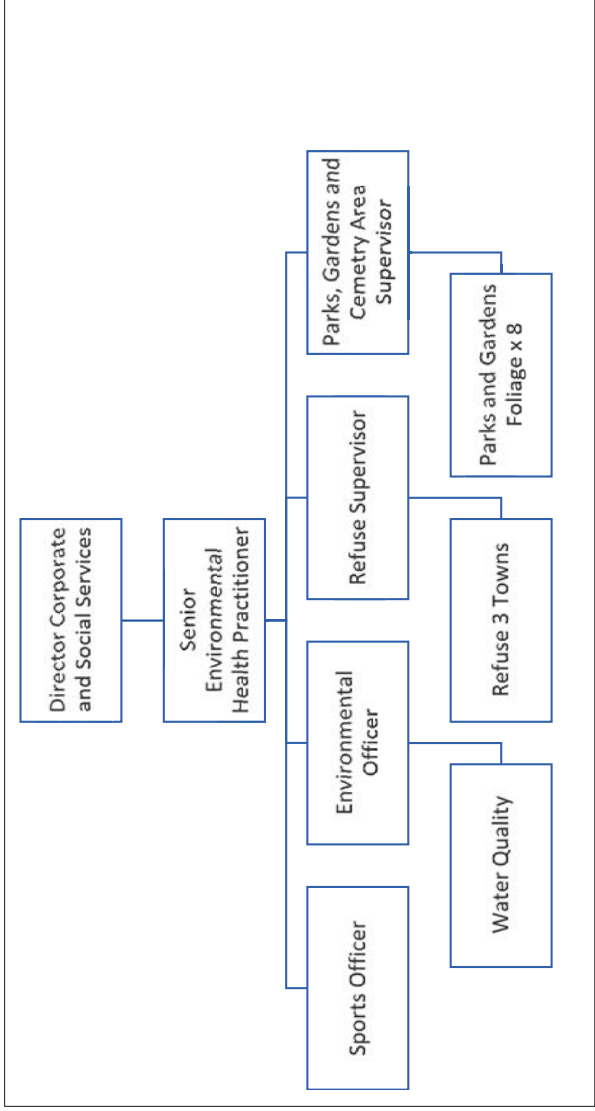
## Component D: Community & Social Services

### 3.8 Community and Social Services

#### Cemeteries

Figure / Table 3.57: Organogram

Waste Management, Parks, Gardens & Cemeteries Unit

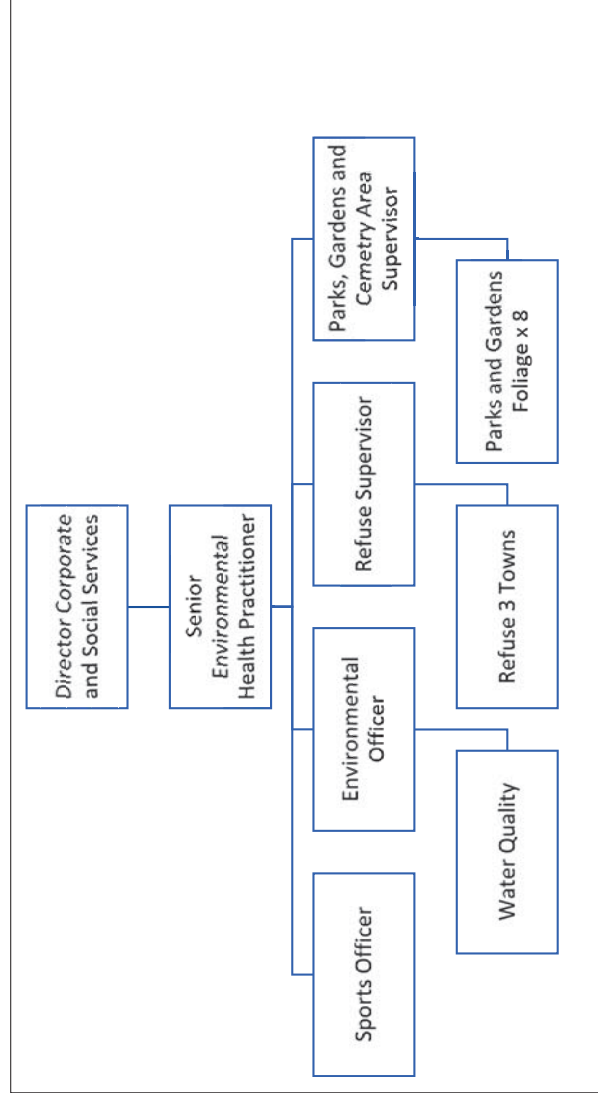


### 3.9 Social and Community Profile

Figure / Table 3.7: Performance highlights in terms of service delivery for from 2010 to 2013 Financial Years respectively

2010/2011 FINANCIAL YEAR	2011/2012 FINANCIAL YEAR	2012/2013 FINANCIAL YEAR
<b>SPORTS FACILITIES</b> Construction of Sports Facility in Thapelong, Van Stadensrus	<b>SPORTS FACILITIES</b> Construction of Sports Facility in Thapelong, Van Stadensrus	<b>SPORTS FACILITIES</b> 1. Construction of Sports Facility in Thapelog, Van Stadensrus

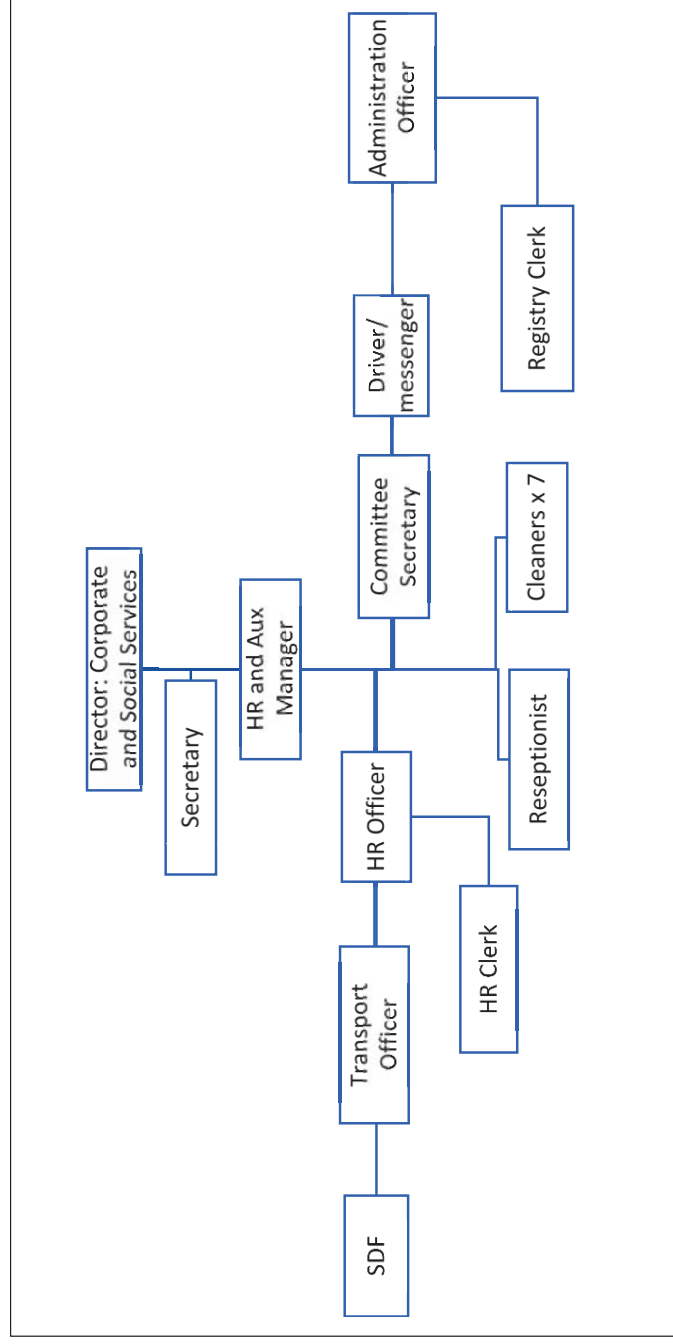
Figure / Table 3.58: Organogram



## Component E: Health

### 3.10 Health

Figure / Table 3.59: Organogram

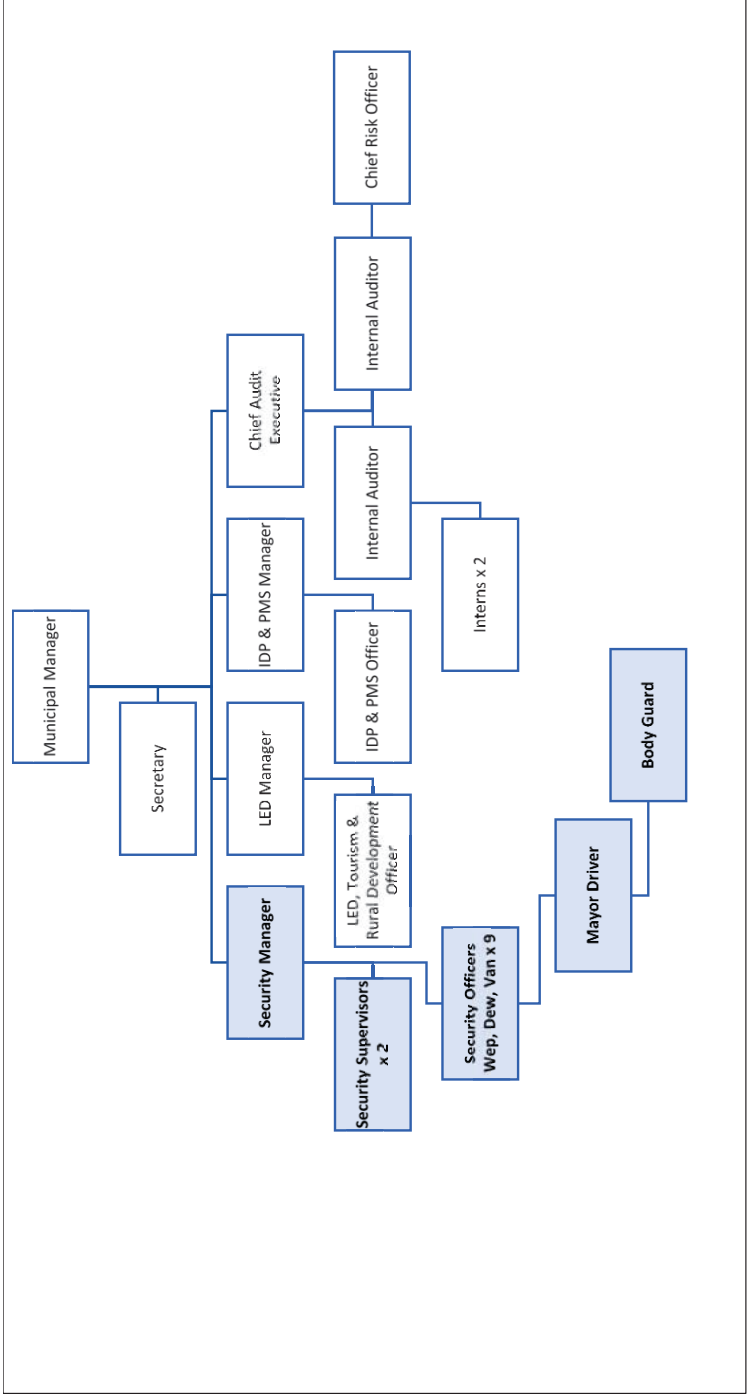




# Component F: Safety and Security

## 3.11 Safety and Security

Figure / Table 3.60: Organogram



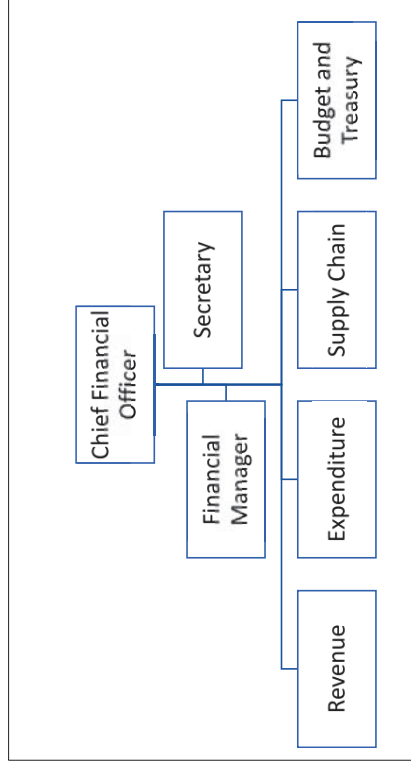
## Component G: Financial Management

Figure / Table 3.61: Backlog in terms of targets

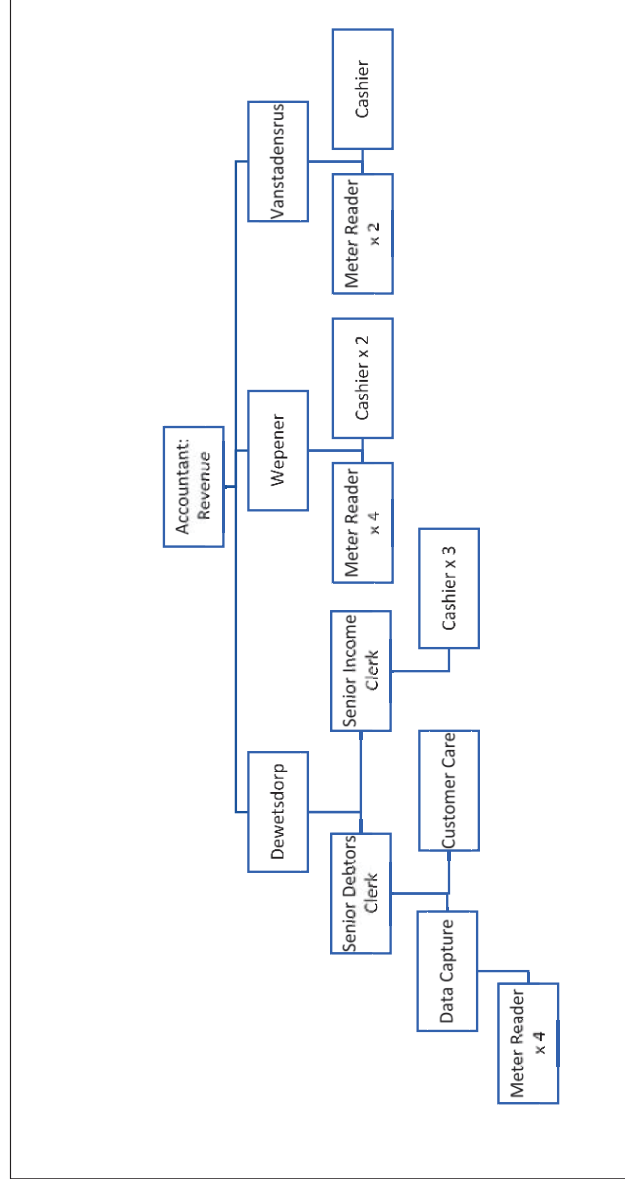
<b>Financial Viability and Management</b>
<b>Financial and Performance Management</b>
Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting
Implement controls over daily and monthly processing and reconciling of transactions
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information
Review and monitor compliance with applicable laws and regulations
Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information
<b>Lack of adequate human resources</b>
Competency levels - ensure plans enable finance officials to meet minimum competency levels in terms of Regulation
Appointment of qualified personnel
Training of staff regarding financial system
<b>Asset Management</b>
Updating of GRAP Compliance Asset Register
Unbundling of infrastructure assets
Reconciliation of General Ledger with Asset Register
<b>Supply Chain Management</b>
Review structure & representation of Specification Committee, Evaluation Committee and Adjudication Committee
Implementation of SCM policy & Regulations
Ensure unsolicited bids are dealt with in accordance with s113 of MFMA & Regulations
Prepare & implement procurement plan for current operation & capital expenditure

<b>Operation Clean Audit</b>
Implementation of Audit Action Plan
Compliance with MFMA
Monitoring completion of MFMA implementation priorities
<b>Revenue Management</b>
Develop debt recovery strategy
Debtors Cleansing exercise
Update indigent Register
Charged interests on arrears, unless otherwise agreed
<b>Expenditure Management</b>
Ensure all expenditure is incurred in terms of the budget & within limits of budget votes
Ensure proper record keeping is implemented
Payment of disputes are recognized and appropriately resolved
Ensure that payments are paid within 30 days
Salaries are reconciled monthly
Clearing of suspense accounts

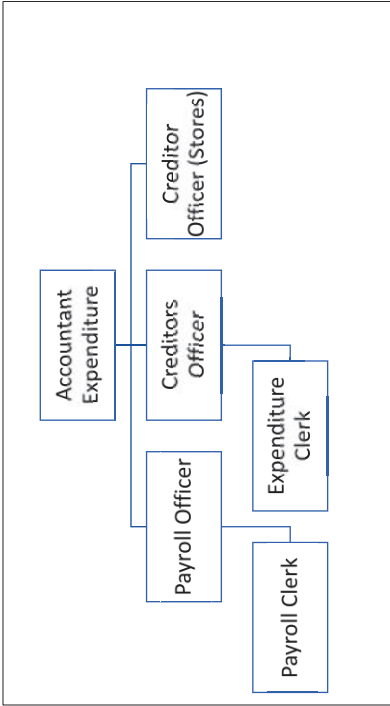
Figure / Table 3.62: Organogram



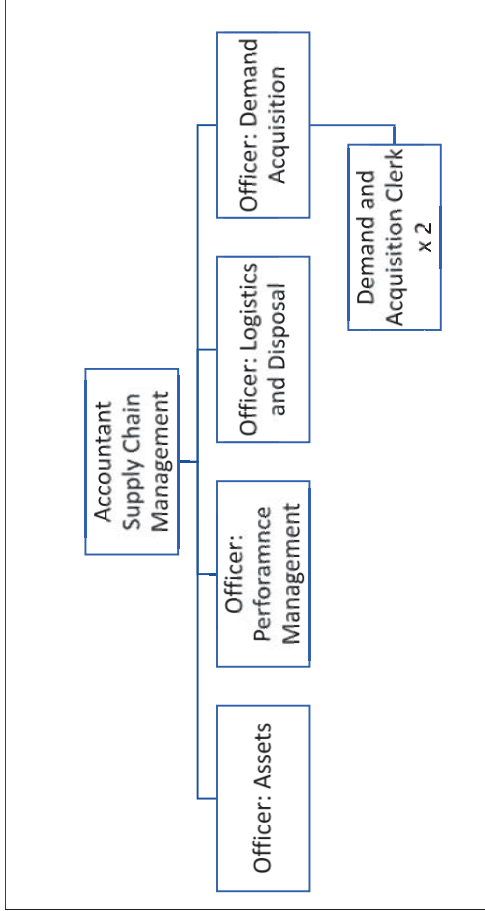
## Revenue Office



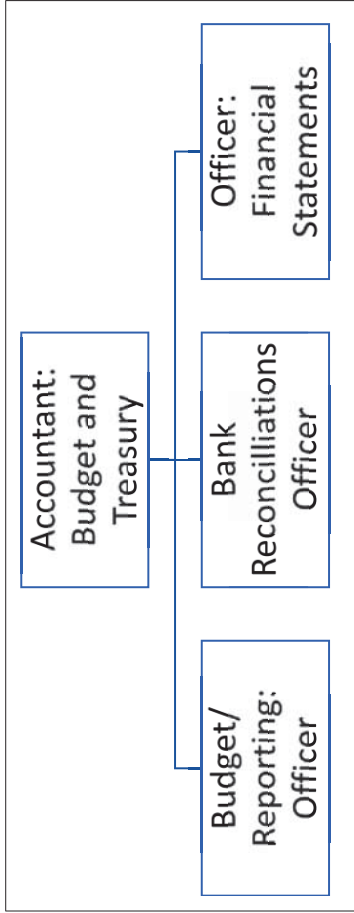
Budget and Treasury Office-expenditure



Budget and Treasury Office- Supply Chain Management



Budget and Treasury Office- Budget and Treasury



**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
<b>Financial viability and management</b>	Revenue enhancement programme	Employment of Revenue Manager	1	1	1	1	According to Organizational Structure under the year reviewed the Manager Revenue is Accountant Revenue	The post was filled on the 01 June 2012
		Increase in collection rate	%	30%	30%	6%	Busy with the purification of billing system and the training of the financial system	Property rates policy and BY Laws is fully implemented and the cleansing of the billing system is in progress
		Employment of Customer Care Staff	3	3	3	1	The posts is budgeted for and the post will be advertised for the	One employee is allocated for customer care

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
							next financial year	
		Acquisition of the motor vehicle for meter readers	1	1	1	0	The Motor Vehicle not Budgeted for under the year review due to the non -funding	Meter reader schedule changed all towns is reading for their towns
		Updated indigent register	%	100%	50%	50%	The Indigent register is updated	The Municipality is busy registering the indigents
		Building of the customer care and cashier offices in Wepener.	%	100%	100%	0%	The Customer care and the Cashier office did not budgeted for year under review due to the non - funding	The Municipality to request the funding
	Debt management programme	Debts to be reduced by 30% by end of June 2012	%	30%	30%	80%	80% of the debt is paid	Only one major creditor is still outstanding(Bloem -Water )



<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
	Cash Flow Management	Application of a fully used EFT method by the end of June 2012	%	100%	100%	99%		99% of the EFT payments is implemented
		Adherence to arrangement made to creditors by the 30 <sup>th</sup> June 2012.	%	100%	100%	40%	Only Auditor General was paid in full by 30 June 2012	Bloem Water is in progress
		Creditors to be paid within 30 days after the receipt of the invoice/Statement	%	100%	100%	95%	5% paid late due to late invoices	95% paid within 30 days of the received of the payments
		Employment of Financial Management/ Support Services (Senior Accountant)	2	2	2	2	According to Organizational Structure under the year reviewed the Manager Financial	The posts was filled on the 01 June 2012

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
							Management/ Support is Accountant Expenditure/ Budget and supply Chain	
		Development of the Budget Programme aligned to the IDP timeframes	%	100%	100%	100%	None	None
<b>Submission of Annual Financial Statements</b>	AFS were submitted in time: 31 August 2011		100%	100%	100%	100%	Submitted on the 31 August 2011	none
<b>% MIG expenditure by end of financial year</b>	60% expenditure as at end of June 2012	100% expenditure by end of the MIG financial year	%	60%	60%	66%	We have exceeded our baseline although we have experience challenges in completing the	Appointment of Technical staff and proper implementation



<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
							total received MIG allocation	
<b>Asset management register developed.</b>	Asset register is in place but it might not be correct because it is being updated manually (Spreadsheet)	Updated asset register by the 30 <sup>th</sup> June 2012	%	100%	100%	100%	Assets register is in place still need assistance from financial system to upload into the financial system	Assets register to be uploaded into the financial system

## Component H: Institutional Development

### POWERS AND FUNCTIONS

#### *Constitutional Powers and Functions of Naledi Local Municipality*

Chapter 3 of Municipal Systems Act, 2000 states that a municipality has all the functions and powers assigned to it in terms of the Constitution, and must exercise them subject to Chapter 5 of the Municipal Structures Act, 1998. Furthermore, a municipality is empowered by legislation to do anything reasonably necessary for, or incidental to, the effective performance of its functions and the exercise of its powers.

Against this legislative directive, we understand and interpret our powers and functions aligned with objects of local government as set out in section 152 of the Constitution as follows:

Table: Functions and Powers of Naledi Local Municipality

OBJECT OF LOCAL GOVERNMENT	OUR FUNCTIONS AND POWERS
To provide democratic and accountable government for local communities	Developmental municipal planning
To ensure the provision of services to communities in a sustainable manner	Building regulations Municipal airports Storm water drainages Cemeteries Local amenities Municipal roads Water and sanitation services Street lighting Traffic and parking Refuse removal and refuse dumps Cleansing Municipal health services Fire fighting Licensing of dogs
To promote a safe and healthy environment	



OBJECT OF LOCAL GOVERNMENT	OUR FUNCTIONS AND POWERS
	Pounds Local sport facilities Municipal parks and recreation
To promote social and economic development	Local tourism Street trading Trading regulations Sell food to the public Public places
To encourage the involvement of communities and community organizations in the matters of local government.	Community participation Fair, equitable and transparent supply chain practices

*Figure / Table 3.63: Backlog in terms of targets*

Institutional Transformation
<p>Management should ensure that they adhered to Section 78 of the MFMA ( Leadership)</p> <p>Development, Review and implementation of Service Level Agreements</p> <p>Development of IT disaster recovery plan</p> <p>Development of policies and procedures regarding Technical Standards</p> <p>Development of Website</p> <p>Implementation of effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored</p> <p>Management should ensure that they adhere to Section 78 of the MFMA</p> <p>Compilation of a register regarding Contingent Liabilities and supporting documentations thereof in order to disclosure note in the financial statements</p> <p>Support the municipality on conduction of work-study.</p> <p>Implementation of PMS.</p> <p>Development of by-laws</p>

Due to Financial Recovery Plan (FRP) which is currently implemented by the Municipality, the Council and Management of Naledi, National and Provincial Treasury agreed in principle that Disaster Management is a function of the District. These issues will be carried out by the District.

[illegible]

**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenge s/ limitation s</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
<b>Municipal transformation and institutional development</b>	To ensure that the municipality adhere to representivity in line with its employment equity plan	Development and implementation of the municipal skills development plan	1 skills audit conducted	1	1	1	none	
		Capacitating women to be employed in the senior positions	% Employed in the three highest level of management who are women	50%	50%	25%		
	Implementation of HR strategy and employment reward programme	Development of performance employee reward system	1 employee reward system developed					
		Implementation of municipal performance management system.	% Increase in the number of staff participating in the employee reward programme					
		Effective labour relations	No of meetings of the LLF convened					





<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenge s/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
		Targeted skills development	The percentage of budget spent on implementing its workplace skills plan					
	Ensure the development of a credible Integrated Development Plan	Approval of an MSA compliant IDP by Council (Annual Review)	1 credible IDP developed					
		Development/Review of Municipal Sector Plans	# of Sector Plans to be developed/reviewed					
		Alignment of IDP and CBP (Community Based Planning)	# of alignment to be completed					
	Ensure Credible and Implementable Performance Management System	Review of PMS Policy	# of PMS Policy to be reviewed					

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenge s/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
		Adoption of PMS Framework	# of PMS Framework to be adopted					
		Procurement of a Computerised PM System (software)	# of Computerised System/software to be procured					
		Capacity building on PMS for the incumbent in the post	# of capacity building/trainings required for the incumbent					
		Review of Performance Agreements for sec 56 Managers	# of Agreements signed (agreements to be reviewed)					
		Align of DM Spatial Development Framework with local framework	# of Approved Spatial Development Frameworks					
		Disaster Management Plan (linked to DM Plan)	# of approved disaster management plan					

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenge s/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
		Develop the HIV/AIDS strategy	HIV/AIDS strategy approved by council					
		Develop Gender Equity strategy	Have the strategy developed and approved by the council					
	Improve public participation in the IDP processes	Convene IDP rep forums.	# of IDP Rep forum convened					
	To ensure Performance Management and Reporting	Consolidation of quarterly report from respective departments	# of management Performance Reports submitted to council					
	LLF meetings convened as planned	Develop the schedule for LLF meetings by end of December 2011	Developed schedule for LLF meetings.	Developed schedule for LLF meetings by end of December 2011	Development of LLF meeting schedule	Monthly LLF Meetings held	None	Implementation of decisions/resolutions taken on time



<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenge s/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
	Recruitment and selection policies and procedures developed	Review and adoption of policy by council	Adopted Policy on Recruitment and selection	Recruitment policy in place by the 30 December 2011	Draft policy developed	Policy still to be approved by Council	Section 79 Committee is unable to sit due to Councilors' schedules	Speaker/Mayor & Municipal Manager to intervene
	Municipal Manager and Section 57 appointed with signed Performance Agreements	To have signed performance agreement of the MM  Other section 57 managers to have signed performance agreement within 30 days of appointment	Signed performance agreement of the MM  Other section 57 managers to have signed performance agreement within 30 days of appointment	11 October 2011 - The municipal should have a signed performance agreement	Signed Performance agreements	All signed	None	None

## Component I: Governance

*Figure / Table 3.65: Backlog in terms of targets*

Good Governance and Transformation
Ensure public participation structures are functional e.g. ward committees.
Ensure that CDW's are effective.
Ensure that ward public meetings are convened.
Train Naledi ward committee.
Enter into a service level agreement with Naledi on the use of CDW's.
Support the municipality during local Imbizos.
Cooperate with CDW's.
Help with coordination of public meeting and Imbizos.
Ensure that Local Imbizos are convened.
Ensure participation of all councillors in IDP and Budget process.
Support management on IDP implementation initiatives.
Support the municipality of policy development.
Support the municipality on by-law formulation and proclamation process.
Support the municipality on organisational design.
Support the municipality on conducting work-study.
Support the municipality to improve the IDP rating from medium to high.
Support the municipality to improve its section 46 report in terms of the MSA.
Support the municipality to improve its section 121 of the MFMA.
Implementation of PMS.
Review of municipal policies.
Development of by-laws.
Conduct organisational design.
Conduct work-study.
Improve the quality of the IDP (Train Staff in IDP Unit)
Prepare section 46 report.
Prepare section 121 report.
Implement PMS.

## **PUBLIC PARTICIPATION AND GOOD GOVERNANCE**

### **WARD COMMITTEES**

#### **Status of ward committees**

Naledi local municipality has four wards and all the ward have fairly functional ward committees comprising of then members each. The ward councillor in each ward serves as the chairperson of the committee. The members of the ward committee were elected through public participation process and nomination forms were submitted where members accepted to be nominated. There is a fair representation of all stakeholders in the committees.

#### **Functionality of ward Committees**

Although there is no adherence to the agreed upon schedule of sitting of the ward committees, they are able to sit at reasonable intervals and are able to attend to the problems of the community fairly well. The council support officer, who is based in the office of the mayor, provides technical support to the committees. As eluded earlier, each committee is comprised of ten members with the ward councillors as the chairperson and one members of the committee elected to be the secretary.

### **COMMUNITY DEVELOPMENT WORKERS (CDW)**

All wards have been allocated CDW's by the department of Cooperative Governance and Traditional Affairs. There are five (5) CDW's in NLM. They report on monthly basis and the report is distributed to the Speaker/Mayor and Cogta.

The relations between the CDWs and the ward councillors are fairly well with some contradictions at times when it comes to the roles and responsibilities of one another.

## **INTERGOVERNMENTAL RELATIONS**

The municipality participates in both political and technical IGR of the district.

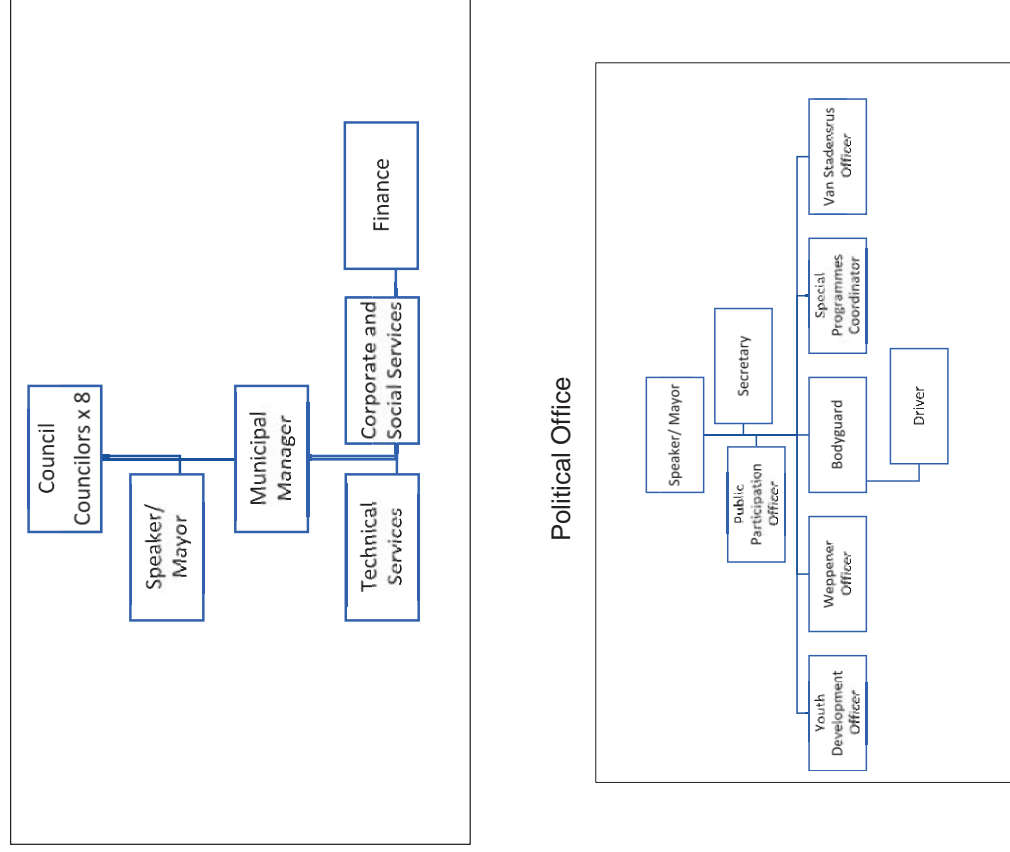
### **COMMUNITY MEETINGS**

The Mayor has conducted community meetings together with ward councillors in all wards of the municipality in this financial year under review. There are challenges in some areas but they need to be addressed.

### **SPECIAL PROGRAMS**

The Municipality has managed to include all the Special Programs/projects for the Office of the Speaker/Mayor in its planning document (IDP). All Special Programs committees were established, however there is a challenge of funding all the programs as envisaged. The municipality therefore needs to ensure that all the programs must be funded as requested by the Stakeholders and Community during consultation meetings. More focused must be driven to the HIV/Aids programs as we are experiencing escalating results compared to the last financial year. Again more funding must be outsourced.

Figure / Table 3.66: Organogram





**Performance Evaluation in terms of IDP Outcome targets:**

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
Public participati and good governance	To ensure that all stakeholders in the Municipal system participate in effective communication	Increase number of feedback on draft IDP	# of community meeting held.	6		6	none	
		Develop a database for community based organisations	# of community based organisation REGISTERED by the municipalities	1	1	1	none	
		Increased number of functioning ward committees	# of ward committee meeting held	12	12	6	Unavailability of the ward Councillors	
		Filing of Ward Committee Reports and Minutes	# of Reports and minutes to be filed	12	12	6	none	

<u>Key performance Area</u>	<u>IDP/MTAS strategic objective</u>	<u>Measurable Indicator</u>	<u>Unit of measure</u>	<u>Target</u>	<u>ANNUAL PERFORMANCE REPORT</u>		<u>Challenges/ limitations</u>	<u>Corrective actions</u>
					<u>Proj</u>	<u>Actual</u>		
		Develop municipal communication strategy	# of council approved Communication strategy.	1	1	0	Lack of capacity	The municipality must source funding
		Secure Funding for all Special Programs (IDP, LED, Finance Managers to draw a Business Plan)	# of Business Plans to be drawn by IDP, LED, Finance Managers	1	1	0	Lack of capacity	The municipality must source funding

# Chapter 4

## Organisational Development Performance



# Chapter 4 – Organisational Development Performance

## Component A: Introduction to the Municipal Personnel

### 4.1 Employee totals, turnover and vacancies

Table / Figure 4.1: Employee Summary as on 30 June 2013

Total number of employees	156
Section 56/57 employees	3
Contract employees	0
Total number of councillors	8
Total number of interns	5

(Source: Workplace Skills Plan: 2013/14)

### Workforce Profile

Table / Figure 4.2: Total Number of Employees in the Municipality as on 30 June 2013

TOTAL NUMBER OF EMPLOYEES IN THE MUNICIPALITY:

OCCUPATIONAL CATEGORY	FEMALE				MALE				TOTAL				TOTAL
	A	C	I	W	A	C	I	W	A	C	I	W	
11 - LEGISLATORS	2	0	0	0	5	0	0	1	7	0	0	1	8
12 - MANAGERS	2	0	0	0	3	0	0	0	5	0	0	0	5
2 - PROFESSIONALS	4	0	0	1	5	3	0	1	9	3	0	2	14
3 - TECHNICIANS AND TRADE WORKERS	0	0	0	0	1	0	0	0	1	0	0	0	1
4 - COMMUNITY AND PERSONAL SERVICE WORKERS	0	0	0	0	1	0	0	0	1	0	0	0	1
5 - CLERICAL AND ADMINISTRATIVE WORKERS	14	0	0	0	8	0	0	0	22	0	0	0	22
6 - SALES WORKERS	3	0	0	0	2	0	0	0	5	0	0	0	5
7 - MACHINE OPERATORS AND DRIVERS	2	0	0	0	9	0	0	0	11	0	0	0	11
8 - ELEMENTARY WORKERS	21	0	0	0	63	5	0	0	84	5	0	0	89
TOTALS	48	0	0	1	97	8	0	2	145	8	0	3	156

(Source: Workplace Skills Plan)

Table / Figure 4.4: Workforce profile by Occupational level [as developed in 2013]

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	2	0	0	0	1	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	6	0	0	0	1	0	0	0	0	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	13	0	0	2	6	0	0	1	0	0	22
Semi-skilled and discretionary decision making	13	0	0	0	9	0	0	0	0	0	22
Unskilled and defined decision making	54	1	0	0	19	3	0	0	0	0	77
<b>TOTAL PERMANENT</b>	<b>88</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>36</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>131</b>
Temporary employees	1	0	0	0	1	0	0	0	0	0	2
<b>GRAND TOTAL</b>	<b>89</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>37</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>133</b>

(Source: Employment Equity Report)

### 3.3.1 Racial Distribution

*Table / Figure 4.6: Racial distribution per occupational level [as developed in 2013]*

<b>Total number of black (African, Coloured, Indian) employees</b>	<b>153</b>
<b>Black employees as a % of total employees</b>	<b>98.08%</b>
<b>Total number of women employees</b>	<b>49</b>
<b>Women employees as a % of total employees</b>	<b>31.41%</b>
<b>Total number of employees with disabilities</b>	<b>0</b>
<b>Employees with disabilities as a % of total employees</b>	<b>0.00%</b>
<b>Total employees over the age of 55</b>	<b>3</b>
<b>Over 55 employees as a % of total employees</b>	<b>1.92%</b>
<b>Total employees between the ages of 35 and 55</b>	<b>56</b>
<b>Employees between 35 and 55 as a % of total employees</b>	<b>35.90%</b>
<b>Total employees under the age of 35</b>	<b>92</b>
<b>Employees under 35 as a % of total employees</b>	<b>58.97%</b>

(Source: Workplace Skills Plan: 2013/14)

## Workforce Movement

### Recruitment

Figure / Table 4.8: Recruitment of staff

Total number of new recruits, including people with disabilities: (Note: A=Africans, C=Coloureds, I= Indians and W= Whites)

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	1	0	0	0	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	3	0	0	0	1	0	0	0	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	0	0	0	1	0	0	0	0	0	8
Semi-skilled and discretionary decision making	8	0	0	0	5	0	0	0	0	0	13
Unskilled and defined decision making	8	0	0	0	2	0	0	0	0	0	10
<b>TOTAL PERMANENT</b>	27	0	0	0	9	0	0	0	0	0	36
Temporary employees	1	0	0	0	1	0	0	0	0	0	2
<b>GRAND TOTAL</b>	28	0	0	0	10	0	0	0	0	0	38



## Termination

Figure / Table 4.9: Termination of services

Total number of terminations in each occupational level, including people with disabilities. (Note: A=Africans, C=Coloureds, I= Indians and W= Whites)

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	1	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	0	0	0	0	0	0	1
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	2	0	0	0	1	0	0	0	0	0	3
<b>TOTAL PERMANENT</b>	3	0	0	0	2	0	0	0	0	0	5
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	3	0	0	0	2	0	0	0	0	0	5



## Component B: Managing the Municipal Workforce

The following are key objectives and indicators of the municipality's efforts to manage its workforce:

- Annual review of the organizational structure
- The filling of key vacancies.
- Annual review of the HR Strategy

### 4.2 Policies

#### Status of policies

Key Policy Developed or reviewed during 2012/13 Financial Year

- Indigent policy
- Credit control policy
- Asset policy
- Tarrif policy
- Banking and investment policy
- Debt collection policy
- Bad debts and write off policy
- External loan policy
- Induction policy
- Virement policy

Previously approved Human Resources Policies

Policy	Date of approval
Sexual and other harassment Policy	29 January 2007
Smoking policy	29 January 2007
Staff Performance Management Policy	29 January 2007
Rainy Day Policy	29 January 2007
Recruitment Policy	29 January 2007
Vehicle Usage and Vehicle Accident Policy	29 January 2007
HIV/AIDS Policy	29 January 2007
Network Policy	29 January 2007

## 4.3 Monitoring and Evaluation

### Disciplinary Action

Figure / Table 4.10: Disciplinary action

C5. EMPLOYEES WHO LEFT THE MUNICIPALITY																													
EM PLO YM ENT SEC TION	FEMALE				MALE				TOTAL				P W D	AGE GROUPS			REASONS FOR LEAVING												T O T A L
																	RESI GNE D	RET IRE D	RETR ENCH ED	MED ICAL REA SON S	DISM ISSE D	DE ATH	CON TRAC T TER MINA TED						
	A	C	I	W	A	C	I	W	A	C	I	W		< 3 5	3 5 - 5 5	> 5 5	F	M	F	M	F	M	F	M	F	M	F	M	
Roa d Tra nsp ort																											0		
TOT ALS																											0		

(Source: Workplace Skills Plan: 2013/14)

No disciplinary actions were leading to termination of services.

## Component C: Employment Equity Status

Table / Figure 4.11: Employee profile

C1. EMPLOYEE SUMMARY																		
TOTAL NO. OF EMPLOYEES:	156	OF THE TOTAL NUMBER OF EMPLOYEES, HOW MANY ARE:	SECTION 56 and 57 EMPLOYEES:	3	CONTRACT EMPLOYEES:	0	TOTAL NO. OF COUNCILLORS:	8	TOTAL NO. OF INTERNS:	5								
C2. TOTAL NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY, POPULATION GROUP, DISABILITY STATUS AND AGE GROUP.																		
OCCUPATION CATEGORY			FEMALE				MALE				TOTAL				PW D	AGE GROUPS		
			A	C	I	W	A	C	I	W	A	C	I	W		<35	35-55	>55
1 - MANAGERS																		
11 - LEGISLATORS																		
	(Executive) Mayor		1							1	0	0	0		1		1	
	Councillors		1				5		1	6	0	0	1		1	4	1	
	Traditional Leaders									0	0	0	0					
SUB-TOTAL : LEGISLATORS -			2	0	0	0	5	0	0	1	7	0	0	1	0	2	4	2
12 - MANAGERS																		
111203	Local Authority Manager					1				1	0	0	0			1		
121101	Municipal Finance Manager		1			1				2	0	0	0			2		
121201	Personnel / Human Resources Manager					1				1	0	0	0		1			
121902	Corporate Services Manager		1							1	0	0	0			1		
122201	Advertising and Public Relations Manager									0	0	0	0					
132301	Construction Project Manager									0	0	0	0					
132401	Supply and Distribution Manager									0	0	0	0					
134901	Environmental Manager									0	0	0	0					
134912	Commissioned Fire and Rescue Officer									0	0	0	0					
143104	Arts and Culture Manager									0	0	0	0					
143105	Sports Administrator									0	0	0	0					
SUB-TOTAL : MANAGERS -			2	0	0	0	3	0	0	0	5	0	0	0	0	1	4	0
2 - PROFESSIONALS																		
213302	Environmental Research Scientist									0	0	0	0					

C1. EMPLOYEE SUMMARY																					
TOTAL NO. OF EMPLOYEES:		156		OF THE TOTAL NUMBER OF EMPLOYEES, HOW MANY ARE:		SECTION 56 and 57 EMPLOYEES:		3		CONTRACT EMPLOYEES:		0		TOTAL NO. OF COUNCILLOORS:		8		TOTAL NO. OF INTERNS:		5	
C2. TOTAL NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY, POPULATION GROUP, DISABILITY STATUS AND AGE GROUP.																					
OCCUPATION CATEGORY			FEMALE				MALE				TOTAL				PW D	AGE GROUPS					
			A	C	I	W	A	C	I	W	A	C	I	W		<35	35-55	>55			
214201	Civil Engineer						1				1	0	0	0		1					
214202	Civil Engineering Technologist										0	0	0	0							
216101	Architect										0	0	0	0							
216401	Urban and Regional Planner										0	0	0	0							
222104	Registered Nurse (Community Health)										0	0	0	0							
222116	Nurse Manager										0	0	0	0							
224704	Organisational Risk Manager										0	0	0	0							
224704	Organisational Risk Manager										0	0	0	0							
224902	Liaison Officer							1			0	1	0	0		1					
224905	Economic Development Facilitator							1			0	1	0	0			1				
226301	Environment Health Officer						1	1			1	1	0	0		1	1				
226301	Occupational Health and Safety Advisor										0	0	0	0							
234301	Conservation Officer										0	0	0	0							
241101	Accountant (General)		1				1			1	2	0	0	1		3					
242102	Organisation and Methods Analyst										0	0	0	0							
242211	Internal Auditor						1				1	0	0	0		1					
242302	Training Officer		1								1	0	0	0		1					
242303	Workplace Industrial Relations Advisor										0	0	0	0							
242303	Human Resource Advisor										0	0	0	0							
252201	Systems Administrator										0	0	0	0							
262102	Gallery / Museum Curator										0	0	0	0							
262201	Librarian		2			1	1				3	0	0	1		1	3				
331501	Valuer										0	0	0	0							
SUB-TOTAL : PROFESSIONALS -			4	0	0	1	5	3	0	1	9	3	0	2	0	9	5	0			

C1. EMPLOYEE SUMMARY																		
TOTAL NO. OF EMPLOYEES:	156	OF THE TOTAL NUMBER OF EMPLOYEES, HOW MANY ARE:	SECTION 56 and 57 EMPLOYEES:	3	CONTRACT EMPLOYEES:	0	TOTAL NO. OF COUNCILLO RS:	8	TOTAL NO. OF INTERNS:	5								
C2. TOTAL NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY, POPULATION GROUP, DISABILITY STATUS AND AGE GROUP.																		
OCCUPATION CATEGORY			FEMALE				MALE				TOTAL				PW D	AGE GROUPS		
			A	C	I	W	A	C	I	W	A	C	I	W		<35	35-55	>55
3 - TECHNICIANS AND TRADE WORKERS																		
311201	Civil Engineering Technician									0	0	0	0					
311901	Waste Water Treatment Officer / Technician									0	0	0	0					
312301	Building Associate									0	0	0	0					
335913	Building Inspector					1				1	0	0	0			1		
611303	Greenkeeper									0	0	0	0					
611304	Nurseryperson									0	0	0	0					
642601	Plumber (General)									0	0	0	0					
642605	Plumbing Inspector									0	0	0	0					
653101	Automotive Motor Mechanics									0	0	0	0					
653303	Fitter (General)									0	0	0	0					
671101	Electrician (General)									0	0	0	0					
671302	Technical Cable Joiner									0	0	0	0					
SUB-TOTAL : TECHNICIANS AND TRADE WORKERS -		0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	
4 - COMMUNITY AND PERSONAL SERVICE WORKERS																		
323102	Ancillary Health Care Worker									0	0	0	0					
411701	Community Development Worker									0	0	0	0					
451401	Gallery / Museum Guide									0	0	0	0					
541101	Fire Fighter									0	0	0	0					
541201	Traffic Officer									0	0	0	0					
541401	Security Officer					1				1	0	0	0			1		
SUB-TOTAL : COMMUNITY AND PERSONAL SERVICE WORKERS -		0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	
5 - CLERICAL AND ADMINISTRATIVE WORKERS																		
332302	Purchasing Officer									0	0	0	0					

C1. EMPLOYEE SUMMARY																		
TOTAL NO. OF EMPLOYEES:		156	OF THE TOTAL NUMBER OF EMPLOYEES, HOW MANY ARE:		SECTION 56 and 57 EMPLOYEES:		3	CONTRACT EMPLOYEES:		0	TOTAL NO. OF COUNCILLO RS:		8	TOTAL NO. OF INTERNS:		5		
C2. TOTAL NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY, POPULATION GROUP, DISABILITY STATUS AND AGE GROUP.																		
OCCUPATION CATEGORY		FEMALE				MALE				TOTAL				PW D	AGE GROUPS			
		A	C	I	W	A	C	I	W	A	C	I	W		<35	35-55	>55	
334102	Office Administrator									0	0	0	0					
334302	Personal Assistant	1								1	0	0	0		1			
335401	Motor Vehicle License Examiner									0	0	0	0					
411101	General Clerk	1								1	0	0	0		1			
412101	Secretary (General)					1				1	0	0	0		1			
413201	Data Entry Operator									0	0	0	0					
422602	Medical Receptionist									0	0	0	0					
431101	Accounts Clerk	5				1				6	0	0	0		5	1		
431301	Payroll Clerk					1				1	0	0	0		1			
432101	Stock Officer									0	0	0	0					
441101	Library Assistant									0	0	0	0					
441501	Filing / Registry Clerk	1								1	0	0	0			1		
441601	Human Resource Clerk									0	0	0	0					
441903	Program / Project Administrator	1				1				2	0	0	0		2			
524401	Inbound Contact Centre Consultant									0	0	0	0					
599903	Radio Services Dispatcher									0	0	0	0					
862301	Meter Reader	5				4				9	0	0	0			8	1	
SUB-TOTAL : CLERICAL AND ADMINISTRATIVE WORKERS -		14	0	0	0	8	0	0	0	22	0	0	0	0	11	10	1	
6 - SALES WORKERS																		
523102	Office Cashier	3				2				5	0	0	0		3	2		
SUB-TOTAL : SALES WORKERS -		3	0	0	0	2	0	0	0	5	0	0	0	0	3	2	0	
7 - MACHINERY OPERATORS AND DRIVERS																		
313201	Water Plant Operator	2				8				10	0	0	0		1	9		
732201	Chauffeur					1				1	0	0	0			1		

C1. EMPLOYEE SUMMARY																					
TOTAL NO. OF EMPLOYEES:		156		OF THE TOTAL NUMBER OF EMPLOYEES, HOW MANY ARE:		SECTION 56 and 57 EMPLOYEE S:		3		CONTRACT EMPLOYEES:		0		TOTAL NO. OF COUNCILLO RS:		8		TOTAL NO. OF INTERNS:		5	
C2. TOTAL NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY, POPULATION GROUP, DISABILITY STATUS AND AGE GROUP.																					
OCCUPATION CATEGORY			FEMALE				MALE				TOTAL				PW D	AGE GROUPS					
			A	C	I	W	A	C	I	W	A	C	I	W		<35	35-55	>55			
733201	Truck Driver (General)										0	0	0	0							
734102	Logging Plant Operator										0	0	0	0							
734201	Earthmoving Plant Operator										0	0	0	0							
SUB-TOTAL : MACHINERY OPERATORS AND DRIVERS -			2	0	0	0	9	0	0	0	11	0	0	0	0	1	10	0			
8 - ELEMENTARY WORKERS																					
811201	Commercial Cleaner		8				6				14	0	0	0		9	5				
812902	Swimming Pool Cleaner										0	0	0	0							
821401	Garden Worker		13				15				28	0	0	0		28					
831301	Builders Worker										0	0	0	0							
831303	Earthmoving Worker										0	0	0	0							
831304	Plumbers Assistant						25				25	0	0	0		20	5				
861101	Recycling / Rubbish Collector						17				17	0	0	0		8	7				
862202	Handyperson							5			0	5	0	0		3	2				
862918	Electrical / Telecommunications Trades Assistant										0	0	0	0							
862919	Mechanics Assistanr										0	0	0	0							
SUB-TOTAL : ELEMENTARY WORKERS -			21	0	0	0	63	5	0	0	84	5	0	0	0	68	19	0			
WARD COMMITTEE MEMBERS																					

(Source: Workplace skills plan)

Table / Figure 4.13: Employee qualification profile

SECTION D: QUALIFICATIONS PROFILE																												
OCCUPATION CATEGORY		Belo w NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		NQF 9		NQF 10		UNKN OWN		TOTAL		
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
1 - MANAGERS																												
11 - LEGISLATORS																												
	(Executive) Mayor					1																					1	0
	Councillors	1					4		2																		1	6
	Traditional Leaders																										0	0
SUB-TOTAL : LEGISLATORS -		1	0	0	0	0	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	6
12 - MANAGERS																												
11 12 03	Local Authority Manager																										0	0
12 11 01	Municipal Finance Manager										1			1		1											1	2
12 12 01	Personnel / Human Resources Manager											1															0	1
12 19 02	Corporate Services Manager																1										1	0
12 22 01	Advertising and Public Relations Manager																										0	0
13 23 01	Construction Project Manager																										0	0
13 24 01	Supply and Distribution Manager																										0	0
13 49 01	Environmental Manager																										0	0
13 49 12	Commissioned Fire and Rescue Officer																										0	0
14 31 04	Arts and Culture Manager																										0	0
14 31 05	Sports Administrator																										0	0
SUB-TOTAL : MANAGERS -		0	0	0	0	0	0	0	0	0	0	1	1	0	1	0	1	1	0	0	0	0	0	0	0	0	2	3
2 - PROFESSIONALS																												



SECTION D: QUALIFICATIONS PROFILE

OCCUPATION CATEGORY		Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		NQF 9		NQF 10		UNKN OWN		TOTAL	
		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M	
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
21 33 02	Environmental Research Scientist																									0	0
21 42 01	Civil Engineer											1														0	1
21 42 02	Civil Engineering Technologist																									0	0
21 61 01	Architect																									0	0
21 64 01	Urban and Regional Planner																									0	0
22 21 04	Registered Nurse (Community Health)																									0	0
22 21 16	Nurse Manager																									0	0
22 47 04	Organisational Risk Manager																									0	0
22 47 04	Organisational Risk Manager																									0	0
22 49 02	Liaison Officer													1												0	1
22 49 05	Economic Development Facilitator									1																0	1
22 63 01	Environment Health Officer											1														0	1
22 63 01	Occupational Health and Safety Advisor																									0	0
23 43 01	Conservation Officer																									0	0
24 11 01	Accountant (General)													1	2											1	2
24 21 02	Organisation and Methods Analyst																									0	0
24 22 11	Internal Auditor											1														0	1
24 23 02	Training Officer											1														1	0

SECTION D: QUALIFICATIONS PROFILE

OCCUPATION CATEGORY		Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		NQF 9		NQF 10		UNKN OWN		TOTAL	
		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M	
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
24 23 03	Workplace Industrial Relations Advisor																									0	0
24 23 03	Human Resource Advisor																									0	0
25 22 01	Systems Administrator																									0	0
26 21 02	Gallery / Museum Curator																									0	0
26 22 01	Librarian					1		2	1																	3	1
33 15 01	Valuer																									0	0
SUB-TOTAL : PROFESSIONALS -		0	0	0	0	1	0	2	1	0	1	1	3	1	3	0	0	0	0	0	0	0	0	0	0	5	8
3 - TECHNICIANS AND TRADE WORKERS																											
31 12 01	Civil Engineering Technician																									0	0
31 19 01	Waste Water Treatment Officer / Technician													1												1	0
31 23 01	Building Associate																									0	0
33 59 13	Building Inspector																									0	0
61 13 03	Greenkeeper																									0	0
61 13 04	Nurseryperson																									0	0
64 26 01	Plumber (General)																									0	0
64 26 05	Plumbing Inspector																									0	0
65 31 01	Automotive Motor Mechanics																									0	0
65 33 03	Fitter (General)																									0	0
67 11 01	Electrician (General)																									0	0

SECTION D: QUALIFICATIONS PROFILE

OCCUPATION CATEGORY		Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		NQF 9		NQF 10		UNKN OWN		TOTAL		
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
67 13 02	Technical Cable Jointer																									0	0	
SUB-TOTAL : TECHNICIANS AND TRADE WORKERS -		0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0
4 - COMMUNITY AND PERSONAL SERVICE WORKERS																												
32 31 02	Ancillary Health Care Worker																									0	0	
41 17 01	Community Development Worker																									0	0	
45 14 01	Gallery / Museum Guide																									0	0	
54 11 01	Fire Fighter																									0	0	
54 12 01	Traffic Officer																									0	0	
54 14 01	Security Officer						1																			0	1	
SUB-TOTAL : COMMUNITY AND PERSONAL SERVICE WORKERS -		0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
5 - CLERICAL AND ADMINISTRATIVE WORKERS																												
33 23 02	Purchasing Officer																									0	0	
33 41 02	Office Administrator																									0	0	
33 43 02	Personal Assistant					1																				1	0	
33 54 01	Motor Vehicle License Examiner																									0	0	
41 11 01	General Clerk					1			1																	1	1	
41 21 01	Secretary (General)					1			1																	1	1	
41 32 01	Data Entry Operator																									0	0	
42 26 02	Medical Receptionist																									0	0	

SECTION D: QUALIFICATIONS PROFILE

OCCUPATION CATEGORY		Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		NQF 9		NQF 10		UNKN OWN		TOTAL			
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M		
431101	Accounts Clerk					2		1	1	1	2															4	3		
431301	Payroll Clerk																									0	0		
432101	Stock Officer																									0	0		
441101	Library Assistant																									0	0		
441501	Filing / Registry Clerk							1																		1	0		
441601	Human Resource Clerk																									0	0		
441903	Program / Project Administrator						1																			0	1		
524401	Inbound Contact Centre Consultant																									0	0		
599903	Radio Services Dispatcher																									0	0		
862301	Meter Reader					3	3	1	2																	4	5		
SUB-TOTAL : CLERICAL AND ADMINISTRATIVE WORKERS -		0	0	0	0	7	5	3	4	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	1
6 - SALES WORKERS																													
523102	Office Cashier			1				2	2																	3	2		
SUB-TOTAL : SALES WORKERS -		0	0	1	0	0	0	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	2		
7 - MACHINERY OPERATORS AND DRIVERS																													
313201	Water Plant Operator					2	5		3																	2	8		
732201	Chauffeur								1																	0	1		
733201	Truck Driver (General)																									0	0		
734102	Logging Plant Operator																									0	0		

SECTION D: QUALIFICATIONS PROFILE

OCCUPATION CATEGORY		Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		NQF 9		NQF 10		UNKNOWN		TOTAL	
		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M		F M	
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
73 42 01	Earthmoving Plant Operator																									0	0
SUB-TOTAL : MACHINERY OPERATORS AND DRIVERS -		0	0	0	0	2	5	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	9
8 - ELEMENTARY WORKERS																											
81 12 01	Commercial Cleaner	1		1		3		3																		8	0
81 29 02	Swimming Pool Cleaner																									0	0
82 14 01	Garden Worker																									0	0
83 13 01	Builders Worker																									0	0
83 13 03	Earthmoving Worker																									0	0
83 13 04	Plumbers Assistant																									0	0
86 11 01	Recycling / Rubbish Collector																									0	0
86 22 02	Handyperson							1																		0	1
86 29 18	Electrical / Telecommunications Trades Assistant																									0	0
86 29 19	Mechanics Assistant																									0	0
SUB-TOTAL : ELEMENTARY WORKERS -		1	0	1	0	3	0	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	1
WARD COMMITTEE MEMBERS																										0	0

*Figure / Table 4.14: Summary Employee Qualification Profile Data*

<b>EMPLOYEE QUALIFICATION PROFILE</b>	
Total number of employees with an NQF Level 1 and below qualification	4
Employees with an NQF Level 1 and below qualification as a % of total employees	2.56%
Total number of employees with an NQF Level 2, 3 or 4 qualification	57
Employees with an NQF Level 2, 3 or 4 qualification as a % of total employees	36.54%
Total number of employees with an NQF Level 5 or above qualification	14
Employees with an NQF Level 5 or above qualification as a % of total employees	8.97%
Total employees who are Managers and Professionals with an NQF Level 6 or above qualification	7
Employees who are Managers and Professionals with an NQF Level 6 or above qualification as a % of total employees in those categories	36.84%
Total employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification	1
Employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification as a % of total employees in that categories	100.00%

## Component D: Capacitating the Municipal Workforce

Table / Figure 4.15: Training for Municipal Employees during 2013/14

### Training Interventions

SECTION F: SKILLS DEVELOPMENT								
F1. STRATEGIC OBJECTIVES DESCRIBED IN THE MUNICIPALITY'S STRATEGIC PLAN (MUNICIPAL IDP)								
NO.	MUNICIPAL KEY PERFORMANCE AREAS	STRATEGIC FOCUS AREA	MAIN IDP OBJECTIVE ASSOCIATED TO THE KPA	TYPE OF INTERVENTION	EMPLOYMENT EQUITY (employees only)		BENEFICIARIES TO BE TRAINED	
					OBJECTIVE	TARGET	EMPLOYED	UNEMPLOYED
1	Basic Service Delivery and Infrastructure Development	Infrastructure and Service Delivery	Extension of water reservoirs for supply of water	Learnership	reducing of regular water cut-offs	males	20	
2	Municipal Financial Viability and Management	Workplace Training Systems	Minimum competency level as per set by National Treasury	PIVOTAL	Compliance with conditions of employment	males and females	6	
3	Sustainable Local Economic Development	Community Based Participation and Planning	to create more job opportunities to unemployed people	Learnership	give knowledge to unemployed to create jobs	males and females		20
4	Sustainable Local Economic Development	Workplace Training Systems	to capacitate officials dealing with economic	PIVOTAL	part of capacity building	males	3	

SECTION F: SKILLS DEVELOPMENT

F1. STRATEGIC OBJECTIVES DESCRIBED IN THE MUNICIPALITY'S STRATEGIC PLAN (MUNICIPAL IDP)								
			development					
5	Good Governance and the Deepening of Democracy	Management and Leadership	to capacitate Councilors to cope with their daily duties	PIVOTAL	to create smooth communication with communities	males and females	8	
6	Good Governance and the Deepening of Democracy	Community Based Participation and Planning	to capacitate Community Development Workers	Learnership	CDW will be able to assist Councilors when required	males and females	5	
7	Basic Service Delivery and Infrastructure Development	Infrastructure and Service Delivery	to address issues on disaster management	PIVOTAL	to hold campaigns and reduces fires costs municipal	males and females	9	6
8	Basic Service Delivery and Infrastructure Development	Infrastructure and Service Delivery	to address issues of sewerage pipelines leakages	Apprenticeship	to address issues to try to save water from leaking	males	20	
9	Basic Service Delivery and Infrastructure Development	Workplace Training Systems	to capacitate employees to be able to work out well of meter read	Skills Programme	to address issues of wrong water meter captures	males and females	10	



## Planned training interventions

F2. PLANNED BENEFICIARIES OF TRAINING PER OCCUPATIONAL CATEGORY, BY GENDER, POPULATION GROUP, DISABILITY STATUS AND AGE GROUP.																				
STRATEGIC FOCUS AREA	OCCUPATION CATEGORY		PIV OT AL	TYPE OF LEARN ING INTER VENTI ON	FEMALE				MALE				TOTAL				P W D	AGE GROUPS		
	OFO CODE AND DESCRIPTION	EMPLOYME NT SECTION			A	C	I	W	A	C	I	W	A	C	I	W		< 3 5	35 - 55	> 5 5
Financial Viability	5 - Clerical and Administrative Workers	Finance	Yes	PIVOT AL	3				3				6	0	0	0		4	2	
Workplace Training Systems	12 - Managers	Administrat ion	Yes	PIVOT AL					1				1	0	0	0			1	
Workplace Training Systems	5 - Clerical and Administrative Workers	Administrat ion	Yes	PIVOT AL					1				1	0	0	0		1		
Community Based Participation and Planning	11 - Legislators	Councillors	Yes	PIVOT AL	2				5			1	7	0	0	1		3	3	2
Community Based Participation and Planning	4 - Community and Personal Service Workers	Community and Social Services	No	Learn ership	1				4				5	0	0	0		1	4	
Community Based Participation and Planning	8 - Elementary Workers	Community and Social Services	Yes	PIVOT AL		5			1 0				1 0	5	0	0		1 0	5	
Infrastructure and Service Delivery	3 - Technicians and Trade Workers	Public Safety	Yes	PIVOT AL					2 1				2 1	0	0	0		1 5	6	
Workplace Training Systems	8 - Elementary Workers	Public Safety	No	Skills Progra mme	4				6				1 0	0	0	0			10	
Infrastructure and Service Delivery	7 - Machinery Operators and Drivers	Community and Social Services	Yes	PIVOT AL					3				3	0	0	0		1	2	
Infrastructure and Service Delivery	8 - Elementary Workers	Electricity	Yes	Appre ntices hip					6				6	0	0	0		3	3	
Infrastructure and Service Delivery	8 - Elementary Workers	Public Safety	Yes	PIVOT AL	1 0				2 0				3 0	0	0	0		1 5	15	
Workplace Training Systems	8 - Elementary Workers	Community and Social Services	Yes	Learn ership	8				7				1 5	0	0	0		5	10	
Workplace Training Systems	8 - Elementary Workers	Health	Yes	PIVOT AL	5				1 0				1 5	0	0	0		1 0	5	
Workplace Training Systems	5 - Clerical and Administrative Workers	Community and Social Services	Yes	PIVOT AL	7				8				1 5	0	0	0		6	8	

B4. ACTUAL EXPENDITURE OF TRAINING - PIVOTAL TRAINING		
LEARNING INTERVENTION	EMPLOYED	UNEMPLOYED
Professional	R 135,000.00	R 0.00
Vocational	R 0.00	R 0.00
Technical	R 0.00	R 0.00
Academic	R 0.00	R 0.00
<b>TOTAL</b>	<b>R 135,000.00</b>	<b>R 0.00</b>

(Source: Workplace Skills Plan: 2013/14)

## Component E: Managing the Workforce Expenditure

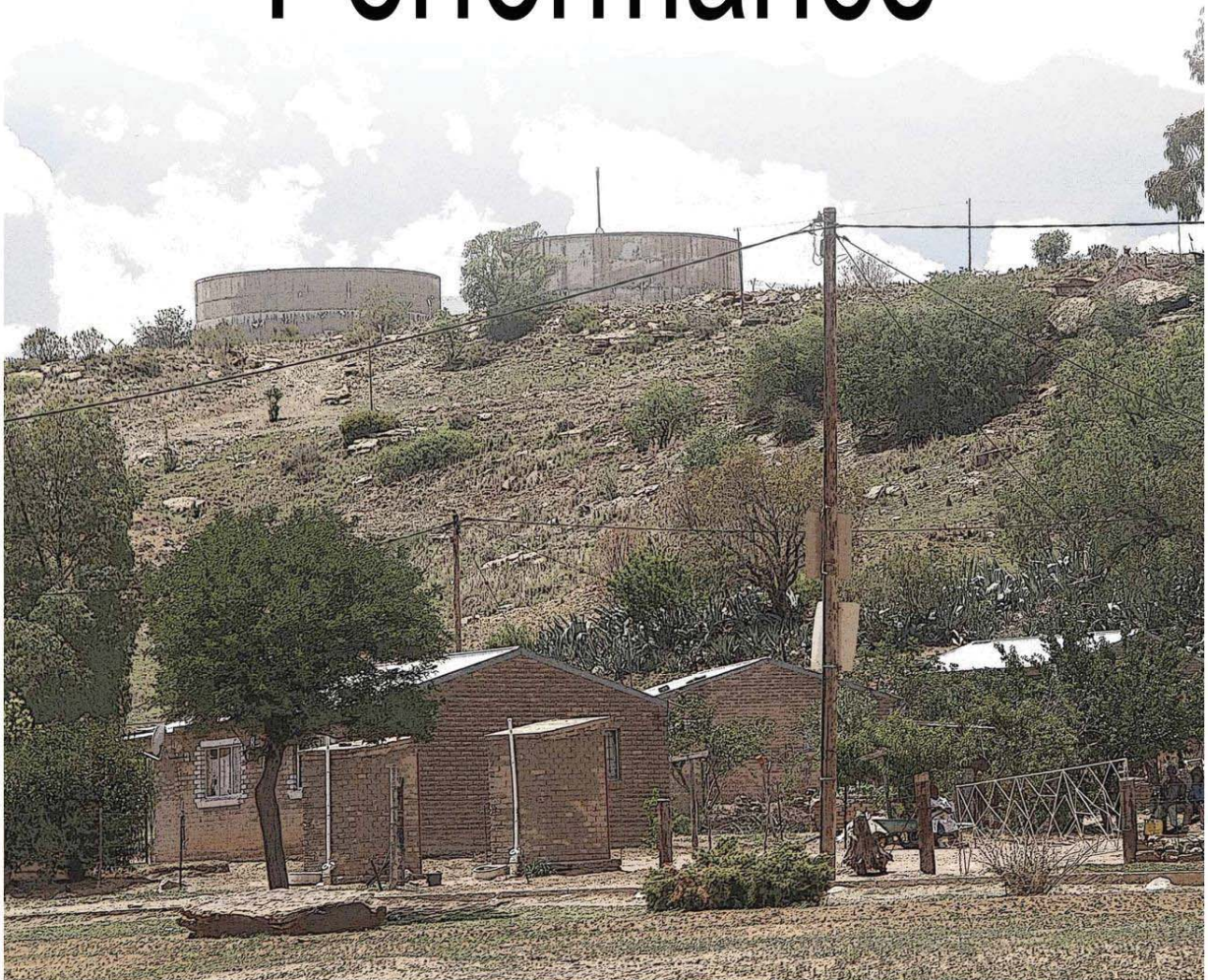
### Disclosure of Staff Remuneration

Figure / Table 4.16: Disclosure of staff remuneration

NALEDI LOCAL MUNICIPALITY			
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013			
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013			
	Note	2013 R	2012 R
<b>Revenue</b>			
Revenue from Exchange Transactions			
<b>Expenses</b>			
Employee related costs	20	23,404,100	21,582,151
Remuneration of councillors	21	1,943,364	1,725,729
Depreciation and amortisation expense	22	18,334,008	18,998,391
Bad debts		-	448,852
Finance costs	23	1,731,528	2,715,885
Repairs and maintenance		2,725,844	1,883,015
Bulk purchases	24	19,882,569	14,792,323
General expenses	25	19,220,462	14,543,864

# Chapter 5

## Financial Performance



# Statement of Financial Position

## Audited Financial Statements

### 5.1 Statements of Financial Position

#### NALEDI LOCAL MUNICIPALITY

#### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013			
	Note	2013 R	2012 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>20,940,482</b>	<b>26,449,353</b>
Inventories	2	49,787	80,660
Consumer debtors	3	19,094,807	16,750,441
VAT receivable	4	354,664	2,972,625
Cash and cash equivalents	5	1,441,224	6,645,627
<b>Non-current assets</b>		<b>269,081,339</b>	<b>248,770,134</b>
Property, plant and equipment	6	266,176,809	245,879,844
Investment property	7	2,520,000	2,520,000
Investments	8	73,490	59,250
Intangible assets	6	311,040	311,040
<b>Total assets</b>		<b>290,021,821</b>	<b>275,219,487</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>29,646,554</b>	<b>31,685,360</b>
Borrowings	9	113,845	113,845
Consumer deposits	10	560,683	400,622
Finance lease liability	11	-	446,568
Trade and other payables	12	28,859,503	27,155,491
Unspent conditional grant	13	112,523	3,568,835
<b>Non-current liabilities</b>		<b>309,591</b>	<b>423,436</b>
Borrowings	9	309,591	423,436
<b>Total liabilities</b>		<b>29,956,145</b>	<b>32,108,796</b>
<b>Net assets</b>		<b>260,065,676</b>	<b>243,110,690</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		260,065,676	243,110,690
<b>Total net assets</b>		<b>260,065,676</b>	<b>243,110,690</b>

**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013</b>			
	Note	2013 R	2012 R
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Service charges	14	26,575,914	25,962,270
Finance Income	15	258,982	119,650
Dividends received	33	3,061	3,121
Rental of facilities and equipment	17	318,711	283,462
Other revenue	19	1,707,482	318,904
<b>Revenue from Non-exchange Transactions</b>			
Government grants and subsidies	16	58,552,272	47,653,959
Property Rates		6,573,598	3,790,107
Donations received	18	2,203,663	17,507,467
<b>Total revenue</b>		<b>96,193,683</b>	<b>95,638,940</b>
<b>Expenses</b>			
Employee related costs	20	23,404,100	21,582,151
Remuneration of councillors	21	1,943,364	1,725,729
Depreciation and amortisation expense	22	18,334,008	18,998,391
Bad debts		-	448,852
Finance costs	23	1,731,528	2,715,885
Repairs and maintenance		2,725,844	1,883,015
Bulk purchases	24	19,882,569	14,792,323
General expenses	25	19,220,462	14,543,864
<b>Total expenses</b>		<b>87,241,875</b>	<b>76,690,210</b>
Gain / (loss) on disposal of assets		(349,288)	(864,582)
Profit / (loss) on fair value adjustment		-	5,087
<b>Surplus / (deficit) for the period</b>		<b>8,602,520</b>	<b>18,089,234</b>



## 5.2 Grants

### NALEDI LOCAL MUNICIPALITY

#### AUDITED APPENDIX

##### Appendix

##### F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Names of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly expenditure					Grants and Subsidies delayed / withheld	Reason for delay / withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance	Additional information on how a grant was spent per Vote
		September	December	March	June	Total	September	December	March	June	Total					
Equitable share	National Treasury	15,493,000.00	12,394,000.00	9,295,000.00	-	37,182,000.00	15,493,000.00	12,394,000.00	9,295,000.00	-	37,182,000.00	no	n/a	Yes	n/a	Indingents
Municipal Infrastructure Grant (MIG)	National Treasury	6,698,000.00	4,310,000.00	6,155,000.00	-	17,163,000.00	2,440,904.00	2,303,683.00	2,936,756.00	9,736,254.22	17,417,597.22	no	n/a	Yes	n/a	Infrastructure and PMU
Financial Management Grant (FMG)	National Treasury	1,500,000.00	-	-	-	1,500,000.00	543,048.47	340,437.43	217,512.22	399,001.88	1,500,000.00	no	n/a	Yes	n/a	Finance
MSIG	National Treasury	800,000.00	-	-	-	800,000.00	292,435.00	287,752.00	52,100.00	55,190.00	687,477.00	no	n/a	Yes	n/a	Municipal manager and Planning and Development
EPWP	National Treasury	400,000.00	300,000.00	300,000.00	-	1,000,000.00	450,533.00	32,000.00	467,821.00	49,646.00	1,000,000.00	no	n/a	Yes	n/a	Public Works and Sanitation
INEP (Municipality)	National Treasury	500,000.00	-	-	-	500,000.00	-	-	-	500,000.00	500,000.00	no	n/a	Yes	n/a	Electricity
		25,390,000.00	17,004,000.00	15,750,000.00	-	58,145,000.00	19,219,920.47	15,357,872.43	12,969,189.22	10,740,092.10	58,287,074.22					

**Note:** A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

## 5.3 Assets

**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013</b>		
	<b>Accumulated Surplus/(Deficit)</b>	<b>Total: Net Assets</b>
	<b>R</b>	<b>R</b>
<b>Balance at 30 June 2011</b>	<b>130,258,431</b>	<b>130,258,431</b>
Prior year error	121,994,627	121,994,627
<b>Restated balance</b>	<b>252,253,058</b>	<b>252,253,058</b>
Surplus / (deficit) for the period	17,949,522	17,949,522
<b>Balance at 30 June 2012</b>	<b>270,202,580</b>	<b>270,202,580</b>
Adjustment	1,646	1,646
<b>Restated balance</b>	<b>270,204,226</b>	<b>270,204,226</b>
Prior year error	(18,741,070)	(18,741,070)
Surplus / (deficit) for the period	8,602,520	8,602,520
<b>Balance at 30 June 2013</b>	<b>260,065,676</b>	<b>260,065,676</b>

## 5.4 Basic Service Delivery

**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**  
**AUDITED APPENDIX**

**Appendix G1 -  
(Revenue)  
Budgeted Financial Performance (revenue  
and expenditure by standard classification)  
for the year  
ended June 30,  
2013**

	2012 /2013												2011/ 2012		
	Original Budget Rand	Budget Adjustme nt (i.t.o. s28 and s31 of the MFMA) Rand	Final Adjustme nts Budget Rand	Shi ftin g of Fu nd s (i.t. o. S3 1 of the MF MA ) Ra nd	Vire men t (i.t.o - Cou ncil App rove d Poli cy	Fin al Bu dg et Ra nd	Act ual Out co me Ra nd	Unat horis ed expe nditu re Rand	Vari anc e Ra nd	Act ual Out co me as % of Fin al Bud get Ra nd	Act ual Out co me as % of Ori gin al Bud get Ra nd	Repo rte d Unat horis ed expe nditu re Rand	Expe nditu re Auth orise d in terms of s32 of MFMA Rand	Bala nce to be reco vere d Ra nd	Res tate d Aud ited Out co me
Electricity	19,931,000	0	19,931,000		19,931,000	18,203,584	1,727,416	91%	91%						18,099,568
Water	17,289,000	1,410,000	18,699,000		18,699,000	16,807,566	1,891,434	90%	97%						16,711,526
Waste Water Management	6,166,000	826,000	5,340,000		5,340,000	6,371,510	1,031,510	119%	103%						6,335,103
Waste Management	3,712,000	847,000	2,865,000		2,865,000	3,480,515	615,515	121%	94%						3,460,627
Total Revenue - Standard	100,554,000	7,169,000	107,723,000		107,723,000	96,193,683	11,529,317								95,644,027



## Component A: Capital Budget

NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE FINANCIAL STATEMENTS

	2013	2012
	R	R
<b>31 COMMITMENTS</b>		
<b>31.1 Commitments in respect of capital expenditure:</b>		
<b>Approved and contracted for:</b>	<b>Committed amount</b>	<b>Total amount spent</b>
Construction of Low Level Bridge	6,694,010.56	6,675,233.49
Elevated Tank and Interlinking pipeline	19,579,581.58	6,475,717.99
Installing of 2000 Water Meters	5,626,093.86	1,148,899.83
Construction of Sports Facility	13,606,792.11	10,179,527.75
	<b>45,506,478</b>	<b>24,479,379</b>
<b>Approved but not yet contracted for</b>		<b>Committed but not yet spent</b>
		-
<b>31.2 Commitments in respect of current expenditure:</b>		
MIG unspent balance as at the end of current financial year		112,523
<b>Total</b>		<b>21,139,622</b>

## Component B: Cash Flow Management and Investments

### 5.5 Cash flows

NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2013			
	Note	2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		33,422,866	19,335,563
Grants		37,859,978	61,572,040
Interest income		258,982	119,650
Other receipts		2,029,254	605,487
		<u>73,571,081</u>	<u>81,632,739</u>
<b>Payments</b>			
Employee costs		(25,347,464)	(23,307,880)
Suppliers		(39,873,979)	(39,830,992)
Finance costs		(1,951,300)	(2,715,885)
		<u>(67,172,743)</u>	<u>(65,854,756)</u>
<b>Net Cash flows from operating activities</b>	<b>26</b>	<b><u>6,398,338</u></b>	<b><u>15,777,983</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(11,188,150)	(6,138,533)
Proceeds from sale of fixed assets			
Increase/(Decrease) in Investments		(14,240)	-
Purchase of other asset			
Other Assets			
<b>Net cash flows from investing activities</b>		<b><u>(11,202,390)</u></b>	<b><u>-6,138,533</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of other financial liabilities		(113,845)	(113,845)
Other Liabilities		160,061	7,324
GRAP Implementation		-	(6,809,874)
Finance lease		(446,568)	(454,026)
<b>Net cash flows from financing activities</b>		<b><u>(400,351)</u></b>	<b><u>-7,370,422</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(5,204,404)</u></b>	<b><u>2,269,029</u></b>
Cash and cash equivalents at beginning of the year		6,645,627	4,376,599
<b>Cash and cash equivalents at end of the year</b>	<b>30</b>	<b><u>1,441,223</u></b>	<b><u>6,645,627</u></b>

## 5.6 Investments

### NALEDI LOCAL MUNICIPALITY

#### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

Note	2013 R	2012 R
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(11,188,150)	(6,138,533)
Proceeds from sale of fixed assets		
Increase/(Decrease) in Investments	(14,240)	-
Purchase of other asset		
Other Assets		
<b>Net cash flows from investing activities</b>	<b>(11,202,390)</b>	<b>-6,138,533</b>

## 5.7 Borrowing

### NALEDI LOCAL MUNICIPALITY

#### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

Note	2013 R	2012 R
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>29,646,554</b>	<b>31,685,360</b>
Borrowings	9 113,845	113,845
Consumer deposits	10 560,683	400,622
Finance lease liability	11 -	446,568
Trade and other payables	12 28,859,503	27,155,491
Unspent conditional grant	13 112,523	3,568,835
<b>Non-current liabilities</b>	<b>309,591</b>	<b>423,436</b>
Borrowings	9 309,591	423,436
<b>Total liabilities</b>	<b>29,956,145</b>	<b>32,108,796</b>

## Component C: Disclosure of Staff Remuneration

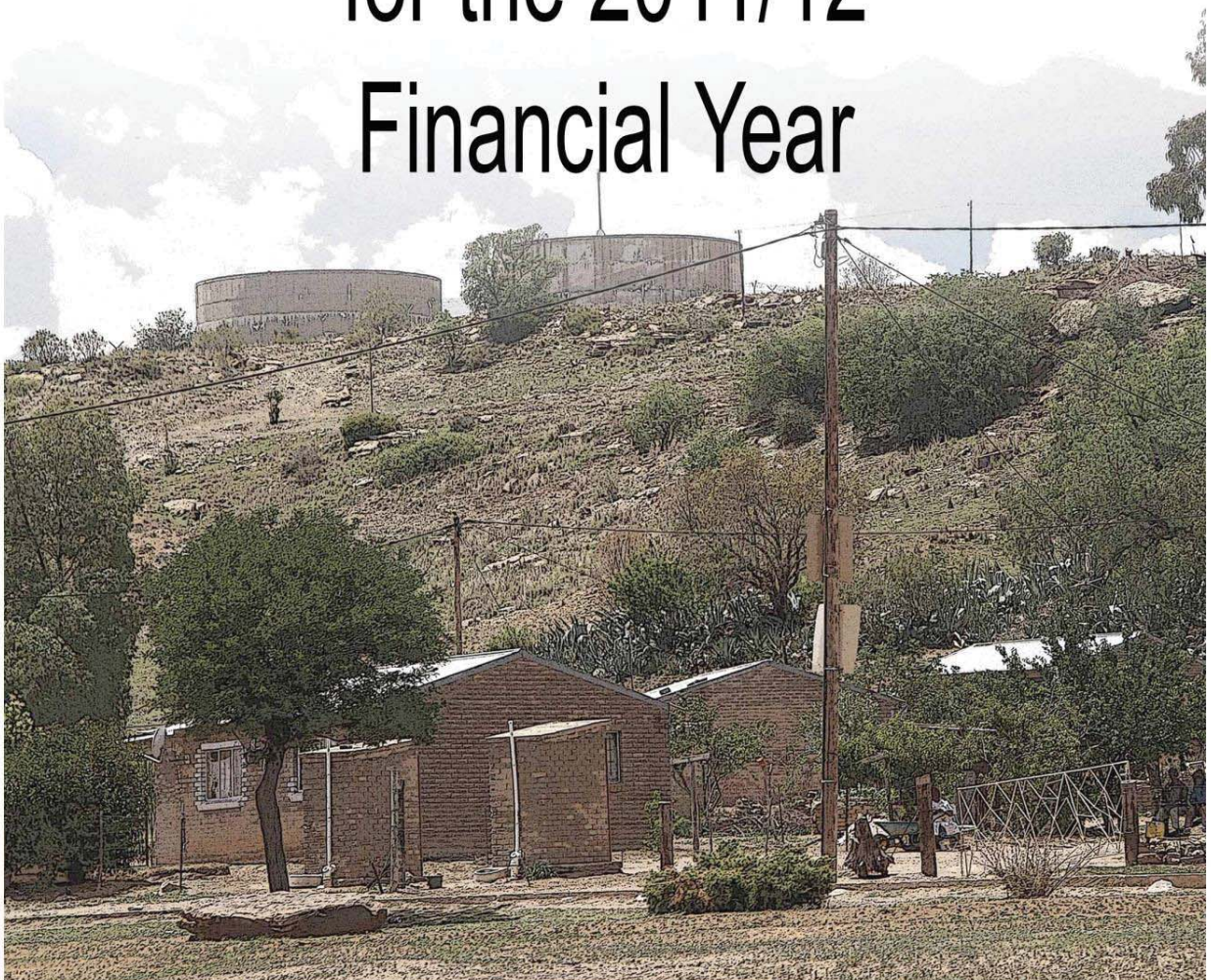
NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
<b>Revenue</b>			
Revenue from Exchange Transactions			
<b>Expenses</b>			
Employee related costs	20	23,404,100	21,582,151
Remuneration of councillors	21	1,943,364	1,725,729
Depreciation and amortisation expense	22	18,334,008	18,998,391
Bad debts		-	448,852
Finance costs	23	1,731,528	2,715,885
Repairs and maintenance		2,725,844	1,883,015
Bulk purchases	24	19,882,569	14,792,323
General expenses	25	19,220,462	14,543,864

# Chapter 6

Report of the  
Auditor-General  
for the 2011/12  
Financial Year





## Component A: Report of the Auditor-General: 2011/2012

### AUDITOR GENERAL'S REPORT

#### 1.1 REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY

#### 1.2 REPORT ON THE FINANCIAL STATEMENTS

##### 1.3 Introduction

1. I was engaged to audit the financial statements of the Naledi Local Municipality set out on pages **99 to 169 (of the Annual Report for 2011/12)** , which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

##### 1.4 Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### 1.5 Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

##### 1.6 Basis for disclaimer of opinion

###### Property, plant and equipment

4. The municipality did not review the residual values of property, plant and equipment at year-end in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment*, and did not assess whether there is any indication that its property, plant and equipment may be impaired in accordance with GRAP 26, *Impairment of cash-generating assets*, for the current and prior financial year. I have not determined the correct net carrying amount of property, plant and equipment as it was impracticable to do so. In addition, I was also unable to obtain sufficient appropriate audit evidence to confirm the balance of property,

plant and equipment disclosed as R273 209 054 (2011: R274 540 781) in note 6 to the financial statements. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for property, plant and equipment.

### **Accumulated surplus**

5. The municipality did disclosed the detail of the restatements made for prior year errors as required by GRAP 1, *Presentation of Financial Statements* and GRAP 3, *Accounting policies, changes in accounting estimates and errors*. I was unable to obtain sufficient appropriate audit evidence to confirm the balance of accumulated surplus amounting to R270 202 580 (2011: R250 262 522) as disclosed in the statement of financial position and in the statement of changes in net assets due to supporting documentation that could not be obtained for the movement in the balance in the comparative figures, as well as the limitation on other balances in the statement of financial position. The municipality's records and information available did not permit the application of alternative procedures. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for accumulated surplus.

### **Revenue**

6. Accounting policy note 1.12.1 is not in accordance with GRAP 9, *Revenue from exchange transactions*, since revenue from the sale of prepaid meter credit is recognised at the point of sale and not only at the stage when the municipality no longer retains continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold. As a result, the sale of prepaid electricity revenue was incorrectly recognised as revenue, instead of deferred income as required by GRAP 9. Due to the volume of transactions involved I could not quantify the extent of this misstatement.
7. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the amount of revenue disclosed as R95 638 940 (2011: R77 505 812) in the statement of financial performance due to an inadequate system of internal control to account for revenue, the management of the filing system not functioning effectively and services not calculated and charged on a monthly basis. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for revenue.
8. Furthermore, I was unable to obtain sufficient appropriate audit evidence for the restatement amounting to R914 879 in the corresponding figure of revenue as disclosed in note 28 to the financial statements. Due to a lack of supporting documentation I could not perform alternative procedures to confirm the amount.

### **Consumer debtors**

9. The municipality made a provision of R49 104 482 (2011: R48 655 630) for the impairment of consumer debtors, however this impairment was not assessed at year-end, for the current and prior year, in accordance with the International Financial Reporting Standard (IFRS) 7, *Financial instruments: Disclosures*, International Accounting Standard (IAS) 32, *Financial instruments: Presentation*, and IAS 39, *Financial instruments: Recognition and measurement*. As the relevant information was not available, I was not able to calculate what the impairment charge against consumer debtors and impairment losses expense should have been if IAS 39 had been applied correctly. The impact of this on the value-added tax (VAT), debt impairment and accumulated surplus balance could also not be

determined. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of consumer debtors disclosed as R65 854 923 (2011: R49 863 792) in note 3 to the financial statements. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for consumer debtors.

10. The municipality did not measure consumer debtors at amortised cost in accordance with IAS 39 and did not disclose the age analysis by major revenue source and by customer classification in accordance with IFRS 7, IAS 32 and IAS 39 and did not differentiate between receivables from exchange and non-exchange receivables in accordance with GRAP 1. The municipality did not comply with these requirements in the current and prior year.

### **Expenditure**

11. I was unable to obtain sufficient appropriate audit evidence to confirm the amount of expenditure disclosed as R55 247 772 (2011: R83 138 487) in the statement of financial performance due to an inadequate system to account for expenditure, the management of the filing system not functioning effectively and transactions being recorded when payment is made instead of being recorded when goods and services are received. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for expenditure.

### **Trade and other payables**

12. I was unable to obtain sufficient appropriate audit evidence to confirm the balance of trade and other payables disclosed as R27 155 491 (2011: R35 716 095) in note 12 to the financial statements due to an inadequate system of internal control to account for trade and other payables and suspense accounts not cleared at year-end. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for trade and other payables.
13. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement amounting to R10 763 167 in the corresponding figure of trade and other payables as disclosed in note 28 to the financial statements. Due to a lack of supporting documentation I could not perform alternative procedures to confirm the amount.

### **Employee-related cost**

14. I was unable to obtain sufficient appropriate audit evidence as to the accuracy, completeness and occurrence of employee-related cost disclosed as R21 582 151 (2011: R21 813 993) in the statement of financial performance and note 20 to the financial statements due to supporting documentation that could not be obtained for payments made. The municipality's records and information available did not permit the application of alternative procedures. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for employee-related cost.

### **Commitments**



15. Sufficient appropriate audit evidence to confirm the balance of commitments disclosed as R13 014 306 (2011: R0) in note 32 to financial statements could not be obtained due to the lack of a proper contract management system for the identification and recognition of contracts, a complete contract register or any other documents to enable me to quantify the commitments. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for commitments.

#### **Contingent liabilities**

16. Sufficient appropriate audit evidence as to the completeness and valuation and allocation of contingent liabilities as disclosed in note 32 to the financial statements could not be obtained due to the lack of legal confirmations on pending claims. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for commitments. The municipality's records did not permit the application of reasonable alternative audit procedures and I was unable to confirm all the information and explanations I considered necessary to gain adequate audit evidence as to the completeness and valuation and allocation of pending claims included in contingent liabilities of R9 078 459 (2011: R9 145 918), as disclosed in note 33 to the annual financial statements.

#### **Cash and cash equivalents**

17. I was unable to obtain sufficient appropriate audit evidence to confirm the balance of cash and cash equivalents disclosed as R6 408 306 (2011: R4 376 599) in the statement of financial position. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to these amounts disclosed for cash and cash equivalents and bank overdraft.
18. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement amounting to R3 038 171 in the corresponding figure of cash and cash equivalents as disclosed in note 28 to the financial statements. Due to a lack of supporting documentation I could not perform alternative procedures to confirm the amount.

#### **Unspent conditional grants and receipts**

19. Sufficient appropriate audit evidence to confirm the balance of unspent conditional grants disclosed as R3 568 835 (2011: R2 291 794) in note 13 to the financial statements and the occurrence, accuracy, classification and completeness of revenue from grants and subsidies could not be obtained due to the lack of accurate reconciliations between the opening balance of unspent grants and the balance unspent at the end of the financial year. In addition, documentation to establish if all transactions took place according to the conditions of each grant and whether the expenditure against the grants should have been transferred to revenue in the statement of financial performance could not be supplied. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amounts disclosed for unspent conditional grants and receipts.
20. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement amounting to R15 019 321 in the corresponding figure of unspent conditional grants and receipts as disclosed in note 28 to the financial statements. Due to a lack of supporting documentation I could not perform alternative procedures to confirm the amount.

#### **Other receivables**

21. I was unable to obtain sufficient appropriate audit evidence to confirm the balance of VAT receivable of R2 972 625 (2011: R8 546 940) as disclosed in note 4 to the financial statements due to an inadequate system of internal control to account for VAT, general ledger accounts not used for VAT calculation purposes and reconciliations not performed. In addition, cases were identified where input VAT was not claimed on claimable expenditure and where input VAT was erroneously claimed. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for VAT receivable.
22. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement amounting to R7 352 967 in the corresponding figure of other receivables as disclosed in note 28 to the financial statements. Due to a lack of supporting documentation I could not perform alternative procedures to confirm the amount.

#### **Investment property**

23. The municipality did not disclose investment property in accordance with GRAP 16, *Investment property*. The municipality did not comply with these requirements in the current and prior year. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of investment property disclosed as R2 520 000 (2011: R1 148 268) in note 7 to the financial statements due to an inadequate system of internal control to account for investment property and the management of the filing system not functioning effectively. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for investment property.

#### **Fruitless and wasteful expenditure**

24. I could not be provided with sufficient appropriate audit evidence that management has properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior year. Due to the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to account for and identify fruitless and wasteful expenditure, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness of fruitless and wasteful expenditure of R2 237 065 (2011: R2 383 553), as disclosed in note 29.1 to the financial statements.

#### **Long-term liability**

25. Sufficient appropriate audit evidence to confirm the balance of long-term liability of R537 281 (2011: R651 126) as disclosed in note 9 to the financial statements could not be obtained due to loan agreements, monthly statements or correspondence with finance provider and minutes of the meetings not provided. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for long-term liability.

#### **Consumer deposits**

26. I was unable to confirm that management has properly charged and accounted for all consumer deposits for the current and prior year. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the completeness and valuation of consumer deposits of R400 622 (2011: R393 298), as disclosed in the statement of financial position, and the related disclosure in note 10 to the financial statements. The municipality's records

and information available did not permit the application of alternative audit procedures regarding consumer deposits. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for consumer deposits.

#### **Intangible assets**

27. The municipality did not disclose intangible assets separately in the financial statements and also did not include an accounting policy for intangible assets in accordance with GRAP 102, *Intangible assets*, for the current and prior year. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of intangible assets disclosed as R311 040 (2011: R311 040) in note 6 to the financial statements due to an inadequate system to account for intangible assets, software and computer programs. I was unable to confirm the amount disclosed by alternative means. Consequently I was unable to determine whether any further adjustments were necessary to the amount disclosed for intangible assets.

#### **Irregular expenditure**

28. I could not be provided with sufficient appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the current and prior year. Due to the limitations placed on my audit of expenditure and procurement management at the municipality and the lack of a proper system in place to account for and identify irregular expenditure, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness of irregular expenditure of R108 442 (2011: R1 285 733), as disclosed in note 29.2 to the financial statements.

#### **Employee benefits**

29. IAS 19, *Employee benefits*, outlines the recognition and requirements pertaining to employee benefits. Contrary to these requirements, the municipality did not disclose post-retirement benefits and long service awards for the current and prior year. In the absence of appropriate records and information, I was unable to confirm the valuation and allocation and completeness of employee benefits for the current and prior year. Consequently, I was also not able to determine the effect on the other account balances and classes of transactions contained in the financial statements.

#### **Provisions**

30. GRAP 19, *Provisions, contingent liabilities and contingent assets*, requires that a provision should be made for the municipality's present obligation incurred as a consequence of its past use of landfill sites. Contrary to these requirements, a provision has not been made for the environmental rehabilitation costs of restoring the municipality's landfill sites for the current and prior year. In the absence of appropriate records and information, I was unable to confirm the valuation and allocation and completeness of provisions at year-end for the current and prior year. Consequently, I was also not able to determine the effect on the other account balances and classes of transactions contained in the financial statements.

#### **Cash flow statement**

31. I was unable to obtain sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated for the current and prior year. Taking into account the misstatements and scope limitations identified in the financial statements, as set out in this report, I was unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and correct disclosure of the cash flow statement and related notes.

### **Unauthorized expenditure**

32. I could not be provided with sufficient appropriate audit evidence that management has properly identified, investigated and recorded all unauthorized expenditure transactions during the current and prior year. Due to the limitations placed on my audit of expenditure and procurement management at the municipality and the lack of a proper system in place to account for and identify unauthorized expenditure, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness and valuation and allocation of unauthorized expenditure of R29 913 092 (2011: R39 279 523), as disclosed in note 29.3 to the financial statements.

### **Distribution losses and free services**

33. Section 125(2)(d)(i) of the MFMA requires that the financial statements of a municipality must disclose particulars of any material losses. No distribution losses or free services provided were disclosed in the notes to the financial statements due to the municipality not implementing adequate control measures to reliably calculate these losses. In the absence of sufficient appropriate documents, I was unable to determine the total extent of the understatement in distribution losses.

### **Related parties**

34. The municipality did not disclose the remuneration of key management personnel in accordance with the International Public Sector Accounting Standard (IPSAS) 20, *Related-party disclosures*. The remuneration of key management personnel should be disclosed in total and for each of the following categories: short-term employee benefits; post-employment benefits; other long-term benefits; termination benefits and share-based payments. Contrary to these requirements, the municipality did not disclose the related-party transactions for the current and prior year that relates to the compensation of councillors and key management personnel.

### **Financial instruments**

35. IFRS 7 requires the disclosure of information on liquidity risks, maturity analysis, sensitivity analysis and credit risk exposure relating to financial instruments. Contrary to the minimum disclosure requirements, the municipality's exposure to financial risks and how these risks were mitigated were not disclosed in the financial statements.
36. Furthermore, the municipality did not disclose gains or losses on financial instruments, trade receivables past due but not impaired, as well as the factors that the municipality considered in determining impairment as required by IFRS 7.

### **Additional disclosure in terms of MFMA**

37. I was unable to obtain sufficient appropriate audit evidence to confirm the amounts disclosed in note 30 to the financial statements, due to differences between the disclosure and the supporting documentation that could not be explained. I was unable to confirm the amounts by alternative means.

### **Accounting policies**

38. The municipality did not disclose the list of all GRAP standards issued, but not yet effective and the effective dates as required by GRAP 3. Furthermore, an accounting policy for judgements, sources of estimation uncertainty and key assumptions as required by GRAP 1 was not disclosed.

### **Financial sustainability**

39. As a result of the matters described in the basis for disclaimer of opinion paragraphs, the municipality may be in a worse financial position than the position reflected in these financial statements. The difficulties being experienced by the municipality in recovering its consumer debtors, the potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period indicate that there is a risk that the municipality may be exposed to serious financial difficulties in terms of section 138 of the MFMA. The financial statements did not disclose any details of the uncertainty as

per note 1.3 to the financial statements and have been prepared on a going concern basis. The municipality's accounting records did not provide sufficient appropriate audit evidence that the municipality is able to continue as a going concern.

#### **Disclaimer of opinion**

40. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

#### **Emphasis of matters**

41. I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Restatement of corresponding figures**

42. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 30 June 2012 in the annual financial statements of the municipality at, and for the year ended, 30 June 2011.

#### **Material impairments**

43. As disclosed in note 3 to the financial statements, material losses to the amount of R448 852 (2011: R14 576 086) were incurred as a result of an increase in the provision for impairment relating to the recoverability of consumer debtors.

#### **Material underspending of the conditional grant**

44. As disclosed in note 12 to the financial statements, the municipality has materially underspent the budget on municipal infrastructure grant to the amount of R2 869 430. As a consequence, the municipality has not achieved its objectives of providing infrastructure for service delivery.

#### **Additional matters**

45. I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Material inconsistencies in other information included in the annual report**

46. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the annual financial statements.

#### **Unaudited supplementary schedules**

47. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.



### **Predetermined objectives**

48. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages XX to XX of the annual report.
49. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information* (FMPPI).

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

50. The material findings are as follows:

#### **Usefulness of information**

##### **Presentation**

51. Improvement measures in the annual performance report for a total of 38% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 200) (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.
52. Section 46 of the MSA requires the disclosure of measures taken to improve performance in the annual performance report where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 62% measures taken to improve performance as disclosed in the annual performance report. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the measures taken to improve performance.

##### **Consistency**

53. The MSA, section 41(c) requires that the integrated development plan (IDP) should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved IDP. A total of 35% of the reported indicators are not consistent with the indicators as per the approved service delivery and budget implementation plan. A total of 52% of the reported targets are not consistent with the targets as per the approved service delivery and budget implementation plan. This is due to the lack of an adequate performance management system.
54. The MFMA, section 54(c) requires that the mayor must consider, and if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with

the approval of the council following approval of an adjustments budget. A total of 9% of objectives, 35% of indicators and 52% of targets reported in the annual performance report were inconsistent with the objectives, indicators and targets as per the approved service delivery and budget implementation plan. This was due to insufficient policies and procedures providing guidance on the requirements of the regulations.

### **Measurability**

55. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 100% of the indicators relevant to the objectives were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of an adequate performance management system.

### **Reliability of information**

#### **Reported performance not valid**

56. The FMPPI requires that processes and systems which produce the indicator should be verifiable. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity of the actual reported performance relevant to 59% of the development objectives. This was due to the municipality's records not permitting the application of alternative audit procedures.

#### **Reported performance not accurate**

57. The FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 59% of the development objectives. This was due to the municipality's records not permitting the application of alternative audit procedures.

#### **Reported performance not complete**

58. The FMPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the completeness of the actual reported performance relevant to 59% of the development objectives. This was due to the municipality's records not permitting the application of alternative audit procedures.

### **Additional matter**

59. I draw attention to the following matter. This matter does not have an impact on the predetermined objectives audit findings reported above.

### **Achievement of planned targets**

60. Of the total number of planned targets, only 28 were reached during the year under review. This represents 59% of total planned targets that were not reached during the year under review. This was as a result of the municipality not considering relevant systems and evidential requirements during the annual strategic planning process.

### **Compliance with laws and regulations**

61. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related



matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### **Strategic planning and performance management**

62. The municipal council did not adopt an IDP, as required by section 25 of the MSA.
63. The municipality did not establish a performance management system that is in line with the priorities, objectives, indicators and targets contained in its IDP, did not clarify the roles and responsibilities of each role player in the functioning of the system, did not determine the frequency of reporting and the lines of accountability for performance, did not relate to the municipality's performance management processes and did not provide for procedures by which the system is linked to the municipality's integrated development planning processes, as required by section 38(a) of the MSA and MPPM Regulations 7(2)(c), (e), (f) and (g).
64. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
65. The municipality did not:
  - set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its IDP
  - monitor performance, with regard to each of those development priorities and objectives and against the key performance indicators and targets set
  - measure and review performance at least once per year, with regard to each of those development priorities and objectives and against the key performance indicators and targets set
  - take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the MSA.

### **Budgets**

66. Expenditure was incurred that was in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of sections 15 of the MFMA.
67. Sufficient appropriate audit evidence could not be obtained that quarterly reports were submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

### **Annual financial statements, performance and annual reports**

68. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
69. The annual report for the year under review does not include the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote and the report of the audit committee, as required by section 121(3)(f) and (j) of the MFMA.

70. The annual performance report for the year under review does not include:

- a comparison with the previous financial year
- measures taken to improve performance, as required by section 46(1) (b) and (c) of the MSA.

#### **Audit committee**

71. An audit committee was not in place, as required by section 166(1) of the MFMA.

#### **Internal audit**

72. An internal audit unit was not established, as required by section 165(1) of the MFMA as there was not a functional internal audit division at the municipality throughout the entire financial year. Consequently, the internal audit unit did not perform its duties required by section 165(2) of the MFMA, section 45(1) of the MSA and Municipal Planning and Performance Management Regulation 14(1).

#### **Procurement and contract management**

73. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by Supply Chain Management (SCM) Regulation 17(a) and (c).

74. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM Regulations 16(b) and 17(b).

75. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids and that deviations were approved by the accounting officer only if it was impractical to invite competitive bids, as required by the municipality's SCM policy.

76. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM Regulation 27(2)(a).

77. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM Regulation 27(3).

78. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM Regulation 22(1) and 22(2).

79. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM Regulation 28(2).

80. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by SCM Regulations 21(b) and 28(1)(a) and Preferential Procurement Regulations.

81. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
82. Sufficient appropriate audit evidence could not be obtained that awards made to bidders, other than those recommended by the bid evaluation committee, were ratified by the accounting officer, as required by SCM Regulation 29(5)(b).
83. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM Regulation 28(1)(a).
84. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
85. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by of section 2(1)(f) of the PPPFA.
86. Sufficient appropriate audit evidence could not be obtained that contracts were only extended or modified after tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
87. Sufficient appropriate audit evidence could not be obtained that all extension or modification to contracts were approved by a properly delegated official, as required by SCM Regulation 5.
88. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) and CIDB Regulations 17 and 25(7A).
89. Construction projects were not always registered with the CIDB, as required by section 22 of the CIDB Act and CIDB Regulation 18.
90. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.
91. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).
92. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as most of the bidding documentation could not be provided for audit purposes.

#### **Human resource management**

93. The competencies of chief financial officer and supply chain officers were not assessed promptly in order to identify and address gaps in competency levels as required by the Municipal Regulations on Minimum Competency Levels, regulation 13.

94. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and the relevant provincial treasury as required by the Municipal Regulations on Minimum Competency Levels, regulation 14(2)(a).
95. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Municipal Regulations on Minimum Competency Levels, regulation 14(2)(b).

#### **Expenditure management**

96. An adequate management, accounting and information system was not in place which recognized expenditure when it was incurred, accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.
97. The accounting officer did not take reasonable steps to prevent unauthorized expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
98. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
99. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place as required by section 65(2)(a) of the MFMA.
100. Unauthorised, irregular and fruitless and wasteful expenditure was investigated and as a result it was not recovered from the liable person, as required by section 32(2) of the MFMA.

#### **Financial misconduct**

101. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA due to the fact that unauthorised, irregular and fruitless and wasteful expenditure was incurred but was not investigated.

#### **Conditional grants**

102. The municipality did not comply with the requirements of the grant framework, as required by section 12(1) of the DoRA.
103. The municipality did not evaluate its performance in respect of programmes funded by the allocation and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(6) of the DoRA.
104. The municipality did not timeously submit project registration forms, for projects it intended to implement in the financial year under review, to the provincial Department of Local Government, as required by the Division of Revenue Grant Framework, *Government Gazette No.34280*.
105. Sufficient appropriate audit evidence could not be obtained that the allocations for the municipal systems improvement grant and the financial management grant were utilised for purposes other than those stipulated in the grant framework in contravention of section 15(1) of the DoRA.

#### **Revenue management**

106. A tariff policy on the levying of fees for municipal services provided by the municipality was not adopted, as required by section 74(1) of the MSA and section 62(1)(f)(i) of the MFMA.
107. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
108. A policy on the levying of rates on rateable property within the municipality was not adopted, as required by section 3(1) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and section 62(1)(f)(ii) of MFMA.
109. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors and accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.
110. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.
111. Sufficient audit evidence could not be obtained that revenue had been reconciled on a weekly basis, as required by 64(2)(h) of the MFMA.
112. Accounts for municipal tax and charges for municipal services were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

#### **Asset management**

113. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
114. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
115. Sufficient audit evidence could not be obtained that capital assets were permanently disposed with the approval of the council or the accounting officer, as required by section 14(2)(a) of the MFMA and Municipal Asset Transfer Regulation 5.

#### **Liability management**

116. A management, accounting and information system which adequately accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
117. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.

#### **Environmental**

118. The municipality operated their waste disposal sites without a waste management licence or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).

#### **Internal control**

119. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies

that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

120. The accounting officer position was vacant for the year under review.
121. The acting accounting officers did not evaluate whether management had implemented effective internal controls by gaining an understanding of how senior management members had met their responsibilities in terms of preparing bank reconciliations, ensuring proper records management, maintaining an asset register and preparing the annual financial statements.
122. The acting accounting officers and senior managers did not take timeous and adequate action to address weaknesses in the finance and supply chain management directorate, which resulted in non-compliance with applicable legislation and gave rise to unauthorised, fruitless and wasteful and irregular expenditure.
123. The acting accounting officers and senior managers of the municipality did not ensure that internal control procedures were developed, implemented and monitored to ensure that daily disciplines were performed and reviewed.
124. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evident by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the audit findings in the prior year report being recurring in the current year.
125. The acting accounting officers and senior managers failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

### **Financial and performance management**

126. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented.
127. Inadequate filing procedures at the municipality resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information.
128. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure.
129. The municipality did not have the capacity to address backlog issues and financial system problems, resulting in the need to appoint consultants. Consultants assisted with the preparation of an asset register and financial statements.
130. Finance staff had an insufficient understanding of the accounting framework. This contributed towards the numerous qualifications in the financial statements of the municipality.

### **Governance**

131. The financial statements contained numerous inaccuracies, which are attributable to weaknesses in the design and implementation of internal control in respect of financial



management and financial reporting, and weaknesses in the information systems.

132. The municipality did not have a documented fraud prevention plan. Internal control deficiencies were not identified and communicated in a timely manner to allow for corrective action to be taken. The implementation of external audit recommendations was not monitored. This resulted in the prior year audit findings not being substantially addressed.
133. Although the municipality had an internal audit division, it was not adequately resourced and functioning to identify internal control deficiencies and provide recommendations.
134. An audit committee and performance audit committee was not in place for the financial year.

Bloemfontein

30 November 2012

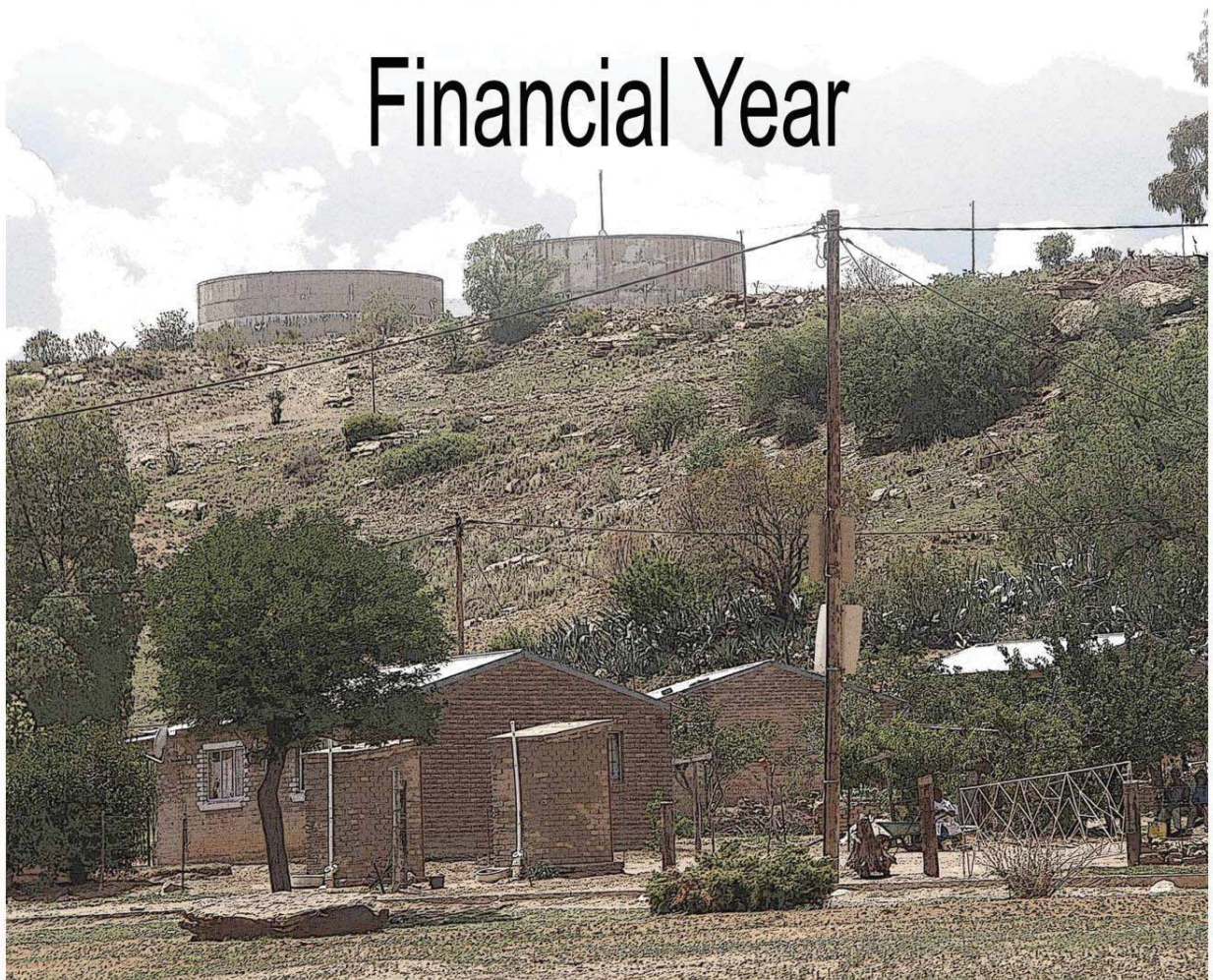


**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*

# Chapter 7

Annual Financial  
Statements  
for the 2012/13  
Financial Year







**Naledi Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2013**

## **ANNUAL FINANCIAL STATEMENTS**

for

### **NALEDI LOCAL MUNICIPALITY**

for the year ended 30  
June:

**2013**

Province:

Free  
State

#### **Contact Information:**

Name of Municipal Manager:

Mr. Qheku Wilson Lefora

Name of Chief Financial Officer:

Mr. Thabang Moses

Contact telephone number:

051 541  
0012

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address:

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**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**General information**

**Members of the Council**

Ms. M Mahase	<b>Mayor/S peaker Chief Whip</b>
Mr. M Tlali	
Mr. M Sioko	Member
Mr. J Makitle	Member
Mr. M Mahloko	Member
Mrs. M Sehloho	Member
Mr. Rakhunoana	Member
Mr. M Haddad	Member

**Municipal Manager**

Mr. Qheku Wilson Lefora
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**Chief Financial Officer**

Mr. Thabang Moses
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**Grading of Local Authority**

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**Auditors**

Auditor-General

**Bankers**

ABSA
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**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**General information (continued)**

**Registered Office:**

Municipal Offices (Dewetsdorp)

**Physical address:**

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Dewetsdorp  
9940

**Postal address:**

**Private Bag X1**  
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**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages **1 to 38**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in **note 21** of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

31-Aug-13

**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**ACCOUNTING POLICIES**

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE, BUT SOME NOT YET EFFECTIVE**

The following GRAP standards have been issued and are effective for periods beginning on or after 1 April 2013

<b>ISSUED AND EFFECTIVE</b>	<b>STANDARD APPLIED</b>
GRAP 18 Segment Reporting	Not applicable
GRAP 20 Related Party Disclosures	Applied
GRAP 23 Revenue from Non-Exchange Transactions	Applied
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 103 Heritage Assets	Not applicable

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
GRAP 21 Impairment of non-cash-generating assets	01 April 2012
GRAP 26 Impairment of cash generating assets	01 April 2012

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact</b>
GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant impact is expected
GRAP 106: Transfers of function between entities not under common control	Unknown	No significant impact is expected
GRAP 107: Mergers	Unknown	No significant impact is expected
iGRAP 11: Consolidation - Special purpose entities	01 April 2014	No significant



		impact is expected
iGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	01 April 2014	No significant impact is expected
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No significant impact is expected
GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No significant impact is expected
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No significant impact is expected
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	No significant impact is expected
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	No significant impact is expected
GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No significant impact is expected
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	No significant impact is expected

## 1.6 PROPERTY, PLANT AND EQUIPMENT

### 1.6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.6.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>	<b>Years</b>
Roads, pavements, bridges and storm water	30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 - 20
Electricity reticulation	20 -30
Sewerage purification and reticulation	15 - 20
Housing	30
Refuse sites	15
 <i>Community Assets</i>	
Parks and gardens	10 -30
Sports fields	20 -30
Community halls	30
Libraries	30
Recreation facilities	20 -30
Clinics	30
Fire services	30
Cemeteries	30

*Other Assets*

Motor vehicles	5
Plant and equipment	2 -15
Security measures	3 -10
Buildings	30
IT equipment	3 -5
Office equipment	3 -7
Specialised vehicles	10

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. {Impairment loss of a revalued asset is treated as a revaluation decrease).

#### **1.6.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.7 INVESTMENT PROPERTY**

#### **1.7.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

The cost of self-constructed investment property is the cost at date of completion.

#### **1.7.2 SUBSEQUENT MEASUREMENT – COST MODEL**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.7.3 Derecognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.8 INVENTORIES**

#### **1.8.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### **1.8.2.SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

## **1.9 FINANCIAL INSTRUMENTS**

### **1.9.1 INITIAL RECOGNITION**

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. Financial instruments are recognized and derecognized on the trade date. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

### **1.9.2 SUBSEQUENT MEASUREMENT**

#### **1.9.2.1 FINANCIAL ASSETS**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

## **1.9 FINANCIAL INSTRUMENTS (cont)**

### **1.9.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

### **1.9.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **1.9.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.9.3 IMPAIRMENT**

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

## **1.10 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.



Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **1.11 LEASES**

### **1.11.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

## **1.12 REVENUE**



Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

#### **1.12.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

##### **Service charges**

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and the amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale, adjusted for unmetered consumption at year end.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

##### **Sale of goods**

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

##### **Interest, royalties and dividends**

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis and is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

#### **Agency Services**

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### **1.12 REVENUE(cont)**

#### **1.12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### **Rates (including collection charges and penalty interest)**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### **Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

#### **Public donations and contributions**

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

#### **Other**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **1.12.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS**

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfers to the Municipality.

### **1.13 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **1.14 EMPLOYEE BENEFITS**

### **1.14.1 Short-term employee benefits**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

### **1.14.2 Termination Benefits**

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

### **1.14.3 Retirement benefits**

The municipality provides retirement benefits for its employees. This practice has since been abolished by council and none of the current employees are provided with post employment medical care benefits.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Financial Performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### **Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

**Post employment medical care benefits**

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

**1.15 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.16 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.17 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.18 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.19 VALUE ADDED TAX (VAT)**

The municipality accounts for Value Added Tax on the payments basis

## **1.20 BUDGET INFORMATION**

The municipality has disclosed the following as required by GRAP 24:

An explanation of the budgetary basis and the classification basis adopted for the preparation and presentation of approved budgets is required to be included in the notes to the financial statements and will assist users to better understand the relationship between the budget and accounting information disclosed in the financial statements. In addition, the period of the approved budget and the entities included in the approved budget must be disclosed.

An entity will disclose the comparison between the actual amounts and the budgeted amounts either in a separate additional financial statement or as separate columns in the current financial statements (only where the budget and the financial statements are prepared on a comparable basis)

The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- Approved and final budget amounts

- Actual amounts on a comparable basis and

- An explanation of material differences between the budget and actual amounts.

**NALEDI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013</b>			
	<b>Note</b>	<b>2013 R</b>	<b>2012 R</b>
<b>ASSETS</b>			
<b>Current assets</b>		<b>20,940,482</b>	<b>26,449,353</b>
Inventories	2	49,787	80,660
Consumer debtors	3	19,094,807	16,750,441
VAT receivable	4	354,664	2,972,625
Cash and cash equivalents	5	1,441,224	6,645,627
<b>Non-current assets</b>		<b>269,081,339</b>	<b>248,770,134</b>
Property, plant and equipment	6	266,176,809	245,879,844
Investment property	7	2,520,000	2,520,000
Investments	8	73,490	59,250
Intangible assets	6	311,040	311,040
<b>Total assets</b>		<b>290,021,821</b>	<b>275,219,487</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>29,646,554</b>	<b>31,685,360</b>
Borrowings	9	113,845	113,845
Consumer deposits	10	560,683	400,622
Finance lease liability	11	-	446,568
Trade and other payables	12	28,859,503	27,155,491
Unspent conditional grant	13	112,523	3,568,835
<b>Non-current liabilities</b>		<b>309,591</b>	<b>423,436</b>
Borrowings	9	309,591	423,436
<b>Total liabilities</b>		<b>29,956,145</b>	<b>32,108,796</b>
<b>Net assets</b>		<b>260,065,676</b>	<b>243,110,690</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		260,065,676	243,110,690
<b>Total net assets</b>		<b>260,065,676</b>	<b>243,110,690</b>

**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013</b>			
	Not e	2013 R	2012 R
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Service charges	14	26,575,914	25,962,270
Finance Income	15	258,982	119,650
Dividends received	33	3,061	3,121
Rental of facilities and equipment	17	318,711	283,462
Other revenue	19	1,707,482	318,904
<b>Revenue from Non-exchange Transactions</b>			
Government grants and subsidies	16	58,552,272	47,653,959
Property Rates		6,573,598	3,790,107
Donations received	18	2,203,663	17,507,467
<b>Total revenue</b>		<b>96,193,683</b>	<b>95,638,940</b>
<b>Expenses</b>			
Employee related costs	20	23,404,100	21,582,151
Remuneration of councillors	21	1,943,364	1,725,729
Depreciation and amortisation expense	22	18,334,008	18,998,391
Bad debts		-	448,852
Finance costs	23	1,731,528	2,715,885
Repairs and maintenance		2,725,844	1,883,015
Bulk purchases	24	19,882,569	14,792,323
General expenses	25	19,220,462	14,543,864
<b>Total expenses</b>		<b>87,241,875</b>	<b>76,690,210</b>
Gain / (loss) on disposal of assets		(349,288)	(864,582)
Profit / (loss) on fair value adjustment		-	5,087
<b>Surplus / (deficit) for the period</b>		<b>8,602,520</b>	<b>18,089,234</b>



NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013		
	Note	
	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R
<b>Balance at 30 June 2011</b>	<b>130,258,431</b>	<b>130,258,431</b>
Prior year error	121,994,627	121,994,627
<b>Restated balance</b>	<b>252,253,058</b>	<b>252,253,058</b>
Surplus / (deficit) for the period	17,949,522	17,949,522
<b>Balance at 30 June 2012</b>	<b>270,202,580</b>	<b>270,202,580</b>
Adjustment	1,646	1,646
<b>Restated balance</b>	<b>270,204,226</b>	<b>270,204,226</b>
Prior year error	(18,741,070)	(18,741,070)
Surplus / (deficit) for the period	8,602,520	8,602,520
<b>Balance at 30 June 2013</b>	<b>260,065,676</b>	<b>260,065,676</b>

NALEDI LOCAL MUNICIPALITY  
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CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2013			
	Not e	2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		33,422,866	19,335,563
Grants		37,859,978	61,572,040
Interest income		258,982	119,650
Other receipts		2,029,254	605,487
		<u>73,571,081</u>	<u>81,632,739</u>
<b>Payments</b>			
Employee costs		(25,347,464)	(23,307,880)
Suppliers		(39,873,979)	(39,830,992)
Finance costs		(1,951,300)	(2,715,885)
		<u>(67,172,743)</u>	<u>(65,854,756)</u>
<b>Net Cash flows from operating activities</b>	<b>26</b>	<b><u>6,398,338</u></b>	<b><u>15,777,983</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(11,188,150)	(6,138,533)
Proceeds from sale of fixed assets			
Increase/(Decrease) in Investments		(14,240)	-
Purchase of other asset			
Other Assets			
		<u>(11,202,390)</u>	<u>-6,138,533</u>
<b>Net cash flows from investing activities</b>		<b><u>(11,202,390)</u></b>	<b><u>-6,138,533</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of other financial liabilities		(113,845)	(113,845)
Other Liabilities		160,061	7,324
GRAP Implementation		-	(6,809,874)
Finance lease		(446,568)	(454,026)
		<u>(400,351)</u>	<u>-7,370,422</u>
<b>Net cash flows from financing activities</b>		<b><u>(400,351)</u></b>	<b><u>-7,370,422</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(5,204,404)</u></b>	<b><u>2,269,029</u></b>
Cash and cash equivalents at beginning of the year		6,645,627	4,376,599
<b>Cash and cash equivalents at end of the year</b>	<b>30</b>	<b><u>1,441,223</u></b>	<b><u>6,645,627</u></b>



**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**2 INVENTORIES**

Consumable stores - at cost	40,430	69,460
Water inventory	9,358	11,200
	<b>49,787</b>	<b>80,660</b>

**3 CONSUMER DEBTORS AND OTHER RECEIVABLES**

	2013		2012	
	R	R	R	R
<b>Consumer Debtors</b>				
2013				
Rates Assessment	7,476,078	(4,337,960)	3,138,118	2,207,138.70
Water	11,417,537	(4,402,230)	7,015,307	1,812,981.03
Electricity - Centlec	2,141,075	(1,754,222)	386,853	386,853.08
Sewer	8,671,909	(4,409,142)	4,262,767	(1,081,146.35)
Refuse	6,609,773	(3,256,947)	3,352,826	(845,043.95)
Sundry Services	2,401,591	(1,462,658)	938,934	(136,417.56)
<b>Total</b>	<b>38,717,964</b>	<b>(19,623,158)</b>	<b>19,094,806</b>	
2012				
Rates Assessment	5,268,939	(4,337,960)	930,980	
Water	20,715,221	(15,512,895)	5,202,326	
Electricity	219,044	(219,044)	-	
Sewer	18,545,362	(13,201,449)	5,343,914	
Refuse	13,822,298	(9,624,428)	4,197,870	
Sundry Services	7,284,058	(6,208,707)	1,075,351	
<b>Total</b>	<b>65,854,923</b>	<b>(49,104,482)</b>	<b>16,750,441</b>	
Interest is not charged on outstanding debtors and they were not discounted				
<b>Sundries: Ageing</b>				
Current (0 – 30 days)		(47,378)	12,464	
31 - 60 days		103,342	10,630	
61 - 90 days		102,256	10,135	
91 +		8,844,657	7,250,830	
<b>Total</b>		<b>9,002,878</b>	<b>7,284,058</b>	

Provision	(4,337,960.00)	0.01	(4,337,959.99)
Bad debts written off	11,110,665.25		(4,402,229.75)
Net	(1,951,762.55)	197,540.94	(1,754,221.61)
	(13,201,449.00)	8,792,307.10	(4,409,141.90)
	(9,624,428.00)	6,367,480.98	(3,256,947.02)
	(6,208,707.00)	4,746,049.32	(1,462,657.68)
	<b>(50,837,201.55)</b>	<b>31,214,043.60</b>	<b>(19,623,157.95)</b>

**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>Electricity, Refuse, Water and Sewerage: Ageing</b>		
Current (0 – 30 days)	823,904.86	1,006,083
31 - 60 Days	862,409.96	975,142
61 - 90 Days	876,056.19	893,508
91 +	24,136,848.46	55,696,132
<b>Total</b>	<b>26,699,219.47</b>	<b>58,570,865</b>

**Reconciliation of the impairment provision**

Balance at beginning of the year	49,104,482	48,645,416
Contributions to provision	1,732,719	459,066
Written off/provision applied	(31,214,044)	-
<b>Balance at end of year</b>	<b>19,623,157</b>	<b>49,104,482</b>

**4 VAT RECEIVABLE**

Vat receivable	354,664	2,972,625
	<b>354,664</b>	<b>2,972,625</b>

**5 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash at bank	1,413,249	6,619,106
Call Investments	27,975	26,521
Cash on hand	-	-
	<b>1,441,224</b>	<b>6,645,627</b>

The Municipality has the following bank accounts: -

**CURRENT ACCOUNT**  
**ABSA Bank Limited- Dewetsdorp Branch**  
**Account Number- 4066531831**

Bank statement balance at beginning of year

Bank statement balance at end of year

	<b>4,574,623</b>	<b>5,568,649</b>
	<b>657,264</b>	<b>4,574,623</b>

**5 CASH AND CASH EQUIVALENTS (cont)**

**CURRENT ACCOUNT**  
**ABSA Bank Limited- Dewetsdorp Branch**  
**Account Number- 1860270184**



**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

	2013	2012
	R	R
	2,044,483	695,542

Bank statement balance at beginning of year

Bank statement balance at end of year

**Short Term Call Accounts**

**Call Account**

**Account Number- 906 109 3425 (ABSA)**

-

-

602,539

2,044,483

Bank statement balance at beginning of year

Bank statement balance at end of year

26,753

25,148

27,975

26,753

**FNB**

**Acc No - 62401956729**

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Bank statement balance at beginning of year

Bank statement balance at end of year

-

-

153,447

-



NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE FINANCIAL STATEMENTS

**6 PROPERTY, PLANT AND EQUIPMENT**

**OWNED ASSETS:**

**6.1 Reconciliation of Carrying Value**

30 June 2012

**Carrying values at beginning of the year**

Cost/Revaluation	36,365,444	424,328,116	64,263,956	10,442,320	311,040	535,710,876
Accumulated depreciation and impairment losses	(24,559,982)	(199,137,132)	(32,905,101)	(4,256,840)	-	(260,859,065)

Acquisitions	-	5,237,520	5,119,480	181,795	-	10,538,795
Land & Buildings	-	-	-	-	-	-
Capital under Construction	-	7,160,099	832,352	-	-	7,992,451
Depreciation	(1,083,222)	(13,987,371)	(2,319,731)	(1,608,067)	-	(18,998,391)

**Carrying value of disposals**

Cost/Revaluation	-	(864,582)	-	-	-	(864,582)
Accumulated depreciation and impairment losses	-	(1,460,080)	-	-	-	(1,460,080)
	-	595,498	-	-	-	595,498

**Impairment loss/Reversal of impairment loss**

Transfers	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-

**Carrying values at the end of the year**

	10,722,240	198,298,060	31,965,107	4,894,438	311,040	246,190,884
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**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

Cost/Revaluation	36,365,444	435,265,655	70,215,789	10,624,115	311,040	552,782,042
Correction of error	-	(25,245,644)	(3,982,905)	(4,173)	-	(29,232,722)
Accumulated depreciation and impairment losses	(25,643,204)	(212,529,005)	(35,224,832)	(5,864,907)	-	(279,261,948)
Correction of error	-	807,054	957,055	139,403	-	1,903,512

Refer to Appendix B for more detail on property, plant and equipment

**6.2**

**Reconciliation of Carrying Value**

**30 June 2013**

**Carrying values at beginning of the year - 2013**

Cost/Revaluation (previously reported)	36,365,444	410,020,011	66,232,884	10,619,942	311,040	523,549,320
Accumulated depreciation and impairment losses (previously reported)	(25,643,204)	(211,721,951)	(34,267,777)	(5,725,504)	-	(277,358,435)

**Acquisitions**

Cost/Revaluation (previously reported)	319,169	15,571,151	-	202,678	-	16,092,998
Correction of error	-	-	-	-	-	-

**Fair Value Adjustment**

Land & Buildings	-	-	-	-	-	-
Capital under Construction	726,751	10,332,267	11,828,245	-	-	22,887,262



**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

Depreciation	(1,086,500)	(13,658,088)	(2,342,332)	(1,247,089)	-	(18,334,008)
Depreciation (previously reported)	(1,086,500)	(13,658,088)	(2,342,332)	(1,247,089)	-	(18,334,008)
Correction of error	-	-	-	-	-	-
Carrying value of disposals	-	(349,288)	-	-	-	(349,288)
Cost/Revaluation	-	(633,864)	-	-	-	(633,864)
Accumulated depreciation and impairment losses	-	284,576	-	-	-	284,576
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-
<b>Carrying values at the end of the year</b>	<b>10,681,660</b>	<b>210,194,102</b>	<b>41,451,020</b>	<b>3,850,026</b>	<b>311,040</b>	<b>266,487,849</b>
Cost/Revaluation	37,411,363	435,289,565	78,061,129	10,822,619	311,040	561,895,716
Correction of error	-	-	-	-	-	(277,073,859)
Accumulated depreciation and impairment losses	(26,729,703)	(225,095,463)	(36,610,109)	(6,972,593)	-	(18,334,008)
Correction of error	-	-	-	-	-	-

No items of Property, Plant and Equipment have been pledged as security





**NALEDI LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**7 INVESTMENT PROPERTY**

Cost

2,520,000	2,520,000
<b>2,520,000</b>	<b>2,520,000</b>

A record of these properties is available at the office of the municipality. No depreciation has been calculated as the investment property has not been separated into land and building components.

An independent valuer was not used in the current year. Investment Property was valued by an independent valuer in the 2010/2011 financial year.

Revenue derived from the rental of investment property

<b>76,740</b>	<b>94,878</b>
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There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No transfers occurred to or from Inventories and owner-occupied property  
A record of these properties is available at the office of the municipality.

**8 INVESTMENTS**

Senwes Ltd shares

24,245.00	13,095
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**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
Senwesbel Ltd shares	2,305.06	11,150
OVK Holdings Ltd shares;	35,004.87	13,828
OVK Operations Ltd shares;	11,935.18	21,176
<b>Total</b>	<b>73,490</b>	<b>59,250</b>

Market value of listed investments and management 's valuation of unlisted investments

Listed investments	-	-
Unlisted investments	73,490	59,250
	<b>73,490</b>	<b>59,250</b>

**9**

**BORROWINGS**

External Loan - Centlec	423,436	537,281
Less : Centlec Current portion transferred to current liabilities	(113,845)	(113,845)
<b>Total of long term borrowings</b>	<b>309,591</b>	<b>423,436</b>

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

€ 447,854.00

**10**

**CONSUMER DEPOSITS**

**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>CURRENT</b>			
Consumer deposits	405,033	2013	2012
Consumer deposits - Centlec	155,650	R	R
<b>Total consumer deposits</b>	<b>560,683</b>		<b>400,622</b>

**11 FINANCE LEASE LIABILITY**

<b>2013</b>				
<b>Amounts payable under finance leases</b>				
Within one year	-	Future finance charges	Present value of minimum lease payments	
Within two to five years	-	R	R	
	-			
	-			

Less: Amount due for settlement within 12 months (current portion)

-	-
-	-

<b>2012</b>			



NALEDI LOCAL MUNICIPALITY  
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NOTES TO THE FINANCIAL STATEMENTS

Amounts payable under finance leases	R	R	2013 R	2012 R
Within one year	676,836		230,268	446,568
Within two to five years	-		-	-
	676,836		230,268	446,568
Less: Amount due for settlement within 12 months (current portion)				(446,568)
				-

The average lease term is 3 years and the average effective borrowing rate is 14.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10% and 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

12

TRADE AND OTHER PAYABLES

Trade creditors	15,837,499	17,092,032
Centlec creditor	7,746,925	51,185
Retentions	1,588,031	1,333,435
Staff leave accrual	1,894,383	1,499,052
13 <sup>th</sup> Cheque	633,770	473,685
Other creditors	1,379,799.35	6,733,372
Sundry Deposits	350	350
Debtors Receive in Advance	86,836	-



**NALEDI LOCAL MUNICIPALITY  
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**NOTES TO THE FINANCIAL STATEMENTS**

Opening balance - system			
	(308,091)		(27,620)
<b>Total creditors</b>	<b>28,859,503</b>		<b>27,155,491</b>

Other creditors is attributable to uncleared suspense account

**13 UNSPENT CONDITIONAL GRANTS**

Financial Management Grant (FMG)	-		529,043
Municipality Infrastructure Grant (MIG)	-		2,869,430
Municipal Systems Improvement Grant (MSIG)	112,523		170,362
Integrated National Electrification Programme Grant (INEPG)	-		-
Expanded Public Works Programme Integrated Grant (EPWPIG)	-		-
	<b>112,523</b>		<b>3,568,835</b>

**14 SERVICE CHARGES**

Sale of electricity - Centlec	15,899,931		16,124,992
Sale of water	6,344,972		3,803,425
Rebate water	(1,176,027)		-
Refuse removal	3,672,394		2,483,594
Rebate refuse	(1,452,348)		-
Sewerage and sanitation charges	5,155,158		3,550,260
Rebate Sewer	(1,868,166)		-
<b>Total Service Charges</b>	<b>26,575,914</b>		<b>25,962,270</b>



NALEDI LOCAL MUNICIPALITY  
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NOTES TO THE FINANCIAL STATEMENTS

15	FINANCE INCOME	2013		2012	
		R		R	
	Cash and cash equivalent	154,571		119,650	
	Centlec - Interest Received	104,411		-	
	<b>Total interest</b>	<b>258,982</b>		<b>119,650</b>	
16	Grants	2013		2012	
		R		R	
	Equitable share	37,182,000		32,542,000	
	Financial Management Grant	1,500,000		1,896,408	
	Municipality Infrastructure Grant	16,962,795		11,279,570	
	Municipal Systems Improvement Grant	687,477		1,236,538	
	Provincial Grant	-		699,443	
	EPWP	1,000,000		-	
	INEP (Municipality)	500,000		-	
	Other allowances (Subsidy - Government)	720,000		-	
	<b>Total Government Grant and Subsidies recognised as revenue</b>	<b>58,552,272</b>		<b>47,653,959</b>	

16.1	Equitable Share		
	In terms of the DoRA, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. This grant is unconditional	(37,182,000)	(32,542,000)



**NALEDI LOCAL MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

An amount of R746 000 (R33 288 000- 32 542 000) was withheld by National Treasury because the Municipality did not spend Municipal Systems Improvement Grant in full during the 2007/08 Financial Year

**16.2 Financial Management Grant (FMG)**

**Balance un-/ (over) spent at beginning of year**

Adjustment

Unspent and returned to the National Revenue Fund

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met / (Spent not yet received)**

529,043	975,451
(529,043)	-
1,500,000	1,450,000
(1,500,000)	(1,896,408)
-	<b>529,043</b>

*Grant is used to implement the requirement of Municipal Finance Management Act, 56 of 2003*

**16.3 Municipal Infrastructure Grant (MIG)**

**Balance un-/ (over) spent at beginning of year**

Adjustment

Correction of prior year error

Unspent and returned to the National Revenue Fund

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met / (Spent not yet received)**

2,869,430	-
-	-
1,672,753	-
(4,542,183)	
17,163,000	14,149,000
(17,163,000)	(11,279,570)
-	<b>2,869,430</b>

NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE FINANCIAL STATEMENTS

2013	2012
R	R

Grant used to implement capital projects as well as running of Project Management Unit

Total MIG received from prior periods and not spent amounts to R4 542 183 as reported to National Treasury

16.4

**Municipal Systems Improvement Grant (MSIG)**

**Balance un-(over)spent at beginning of year**

Adjustment

Unspent and returned to the National Revenue Fund

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met / (Spent not yet received)**

170,362	616,901
(170,362)	-
800,000	790,000
(687,477)	(1,236,538)
<b>112,523</b>	<b>170,362</b>

Grant for improving the Municipal Systems

16.5

**Provincial Infrastructure Grant: Resuscitation of Boreholes (PIG)**

**Balance un-(over)spent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met / (Spent not yet received)**

-	699,443
-	-
-	(699,443)
-	-

Grant from Department of Home Affairs to refurbish the boreholes in Dewetsdorp

16.6

**Integrated National Electrification Provincial Grant (INEP)**



**NALEDI LOCAL MUNICIPALITY  
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**Balance un-(over)spent at beginning of year**  
Current year receipts  
Conditions met - transferred to revenue  
**Conditions still to be met / (Spent not yet received)**

-	2013	2012
	R	R
500,000		-
(500,000)		-
-		-

*Grant for the refurbishment of critical infrastructure*

**16.7 EPWP**

**Balance un-(over)spent at beginning of year**  
Current year receipts  
Conditions met - transferred to revenue  
**Conditions still to be met / (Spent not yet received)**

-	2013	2012
	R	R
1,000,000		-
(1,000,000)		-
-		-

*Municipality is appointed as Environmental Health Services Provider by Motheo District Municipality.*

**17 RENTAL OF FACILITIES AND EQUIPMENT**

Rent - Camps  
Rent - General  
Rent - Town land  
Rent - Vodacom/MTN  
Rent - Municipal Houses/Flat  
Rental Machinery/Radios

13,620
-
3,541
189,654
-
474

**NALEDI LOCAL MUNICIPALITY  
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**NOTES TO THE FINANCIAL STATEMENTS**

Rent - Town hall  
Rent - Houses

2013  
R

2012  
R

15,752  
95,670

**318,711**

**283,462**

**18 DONATIONS RECEIVED**

Total Received from:

-Motheo District Municipality

-Xhariep District Municipality

- FS Department of Police, Roads and Transport

-Cogta

-National Treasury

**In the prior year:**

Motheo and Xhariep District Municipality paid AGSA and Bloem Water on behalf of Naledi

FS Province built a Taxi Rank on behalf of the Municipality to the value R7.5 m

**In the current year:**

Cogta paid AGSA on behalf of Naledi in an attempt to reduce the audit fee owing to AGSA

National Treasury paid AGSA on behalf of Naledi in an attempt to reduce the audit fee owing to AGSA

**2,203,663**

**17,507,467**

-

5,000,000

-

5,000,000

-

7,507,467

1,000,000

-

1,203,663

-

**19 OTHER REVENUE**

Sundry revenue

Other income

Centtec - Other Income

158,396

129,577

147,300

189,328

1,401,786

-

**1,707,482**

**318,904**

Other revenue consists of receipts from sale of tender documents, database registration, clearance certificates etc



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NOTES TO THE FINANCIAL STATEMENTS

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**EMPLOYEE RELATED COSTS**

Employee related cost - Salaries and wages	15,253,928	14,826,089
Employee related cost - Social contributions	3,861,323	3,304,030
Travel, motor car, accommodation & other allowances	2,237,278	1,901,414
Housing benefits and allowances	102,406	62,712
Overtime benefits	729,738	537,799
Other Allowances	961,899	950,107
Skills Development Levy	167,528	-
FMG Salaries	90,000	-
Protective Clothing	-	-
Less: Employee costs included in other expenses	-	-
<b>Total Employee Related Costs</b>	<b>23,404,100</b>	<b>21,582,151</b>

Other allowances consists of UIF, Bargaining Council and Cellphone allowances

**Remuneration of the Municipal Manager**

Annual Remuneration	360,000	484,191
Bonus	-	-
Car Allowance and Telephone Allowances	90,787	66,682
Contributions to Medical and Provident Funds, non Pensionable allowance	159,775	-
Other allowances	5,480	7,733
Backpay	24,604	-
Claims	18,170	-
<b>Total</b>	<b>658,816</b>	<b>558,606</b>



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**2013**  
**R**

**2012**  
**R**

The position was not occupied in the prior year. The Municipal Manager was appointed in November 2012

**Remuneration of the Chief Finance Officer**

Annual Remuneration	455,557	260,283
Acting Allowance	-	-
Car Allowance	100,269	59,553
Cellphone allowance	12,720	-
Other allowances	6,509	57,338
Contributions to Medical and Provident Funds, non Pensionable allowance	181,510	-
Backpay	21,000	-
Claims	17,840	-
<b>Total</b>	<b>795,404</b>	<b>377,173</b>

The position was still occupied in the prior year. The Chief Financial Officer was appointed in December 2011

**Remuneration of the individual Directors:**

**Remuneration of the Head: Technical Services**

Annual Remuneration	-	-
Acting Allowance	-	-
Car Allowance	-	-
Cellphone allowance	-	-
Other allowances	-	-
Contributions to Medical and Provident Funds, non Pensionable allowance	-	-



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	2013	2012
	R	R
<b>Total</b>	-	-
No appointment made yet. A senior manager was acting in this position		
<b>Remuneration of the Head: Corporate Services</b>		
Annual Remuneration	450,207	352,145
Acting Allowance	-	115,389
Car Allowance	118,923	85,493
Cellphone allowance	12,720	-
Other allowances	6,492	48,525
Contributions to Medical and Provident Funds, non Pensionable allowance	161,889	-
Backpay	20,417	-
Claims	11,475	-
<b>Total</b>	<b>782,123</b>	<b>601,552</b>

The Corporate Services Director was appointed in October 2011

**20.1**

**Post Retirement Medical Benefit Obligation**

The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:

Continuation Members (Retired employees)	5	5
------------------------------------------	---	---

The practise of providing post employment medical has since been discontinued. The 5 employees for which the municipality is providing this benefits for where employed in the previous regime. Acturial valuation was not performed during this financial year

**NALEDI LOCAL MUNICIPALITY  
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The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Hosmed  
SAMWU Medical Aid; and  
Key Health.

**21 REMUNERATION OF COUNCILLORS**

Mayor/Speaker  
Councillors

**Total Councillors' Remuneration**

**In-kind Benefits**

The Mayor/Speaker is a full time Councillor. She is provided with an office and secretarial support at the cost of Council.

**22 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment  
Intangible assets  
Investment property carried at cost

**Total Depreciation and Amortisation**

2013  
R

2012  
R

458,701  
1,484,663  
**1,943,364**

547,658  
1,178,071  
**1,725,729**

18,334,008  
-  
-  
**18,334,008**

18,998,391  
-  
-  
**18,998,391**



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23	FINANCE COSTS	2013 R	2012 R
	Borrowings	-	65,077
	Bank overdrafts	36,242	146,556
	Finance lease charges	219,772	335,509
	Other finance costs	1,475,513	2,168,743
	<b>Total Finance Costs</b>	<b>1,731,528</b>	<b>2,715,885</b>

Other finance cost relates to interest charged on the Bloemwater bulk purchases

24	BULK PURCHASES	2013 R	2012 R
	Electricity purchases - Centlec	15,296,811	10,005,434
	Water purchases	4,585,758	4,786,890
	<b>Total Bulk Purchases</b>	<b>19,882,569</b>	<b>14,792,323</b>

25	GENERAL EXPENSES	2013 R	2012 R
	Included in general expenses are the following:-		
	Admin fees	63,607	1,697,575
	Advertising	192,676	222,150
	Audit fees	2,765,899	2,787,722
	Bank charges	65,221	56,519
	Consulting fees	220,120	155,690

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	2013	2012
	R	R
Departmental consumption	-	2,115,690
Entertainment	20,838	80,046
Fuel and oil	460,066	1,003,301
Impairment of Inventory	30,873	18,275
Insurance	1,100,842	872,570
Legal expenses	-	582,806
Licence fees	504	3,509
Membership fees	419,260	99,421
Other expenditure	1,726,961	235,632
Postage	136,610	71,759
Printing and stationery	163,302	517,192
Professional fees	171,615	993,799
Rental of equipment	83,309	247,811
Special community programmes	858,496	1,342,310
Telephone cost	727,108	592,680
Training	-	225,177
Travel and subsistence	234,721	317,673
Uniforms and overalls	39,930	105,056
Valuation expenses	-	199,500
Government grants and subsidies paid	254,596	-
Other sundry expenses	9,483,909	-
	<b>19,220,462</b>	<b>14,543,864</b>

**26 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year

**Adjustment for:**

8,600,810

18,089,234





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	2013	2012
	R	R
Depreciation and amortisation	18,334,008	18,998,391
Gain/(loss) on sale of assets	(349,288)	(864,582)
Fair value adjustments	-	(5,087)
Debt impairment	-	448,852
Prior year adjustment	(18,741,070)	1,646
Transfer to from Accumulated surplus	-	(3,138,908)
<b>Changes in working capital:</b>		
Inventories	30,873	(51,185)
Consumer debtors and other receivables	(2,344,366)	(15,991,130)
Vat	2,617,721	5,574,315
Trade and other payables	1,705,962	(8,560,604)
Consumer deposits		
Unspent conditional grants and receipts	(3,456,312)	1,277,041
	<b>6,398,338</b>	<b>15,777,983</b>

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	1,441,224	6,645,627
Bank overdrafts	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>1,441,224</b>	<b>6,645,627</b>

28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED



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**28.1 Fruitless and wasteful expenditure**

Opening balance	6,940,618	2,320,000
Fruitless and wasteful expenditure current year	1,669,534	4,620,618
Condoned or written off by Council	-	-
To be recovered - (Contingent asset)	-	-
	<b>8,610,152</b>	<b>6,940,618</b>

**Fruitless and wasteful expenditure for the current year:**

**Interest was charged on overdue accounts of the following suppliers:**

Auditor General	20,973
Bloemwater	1,611,933
Coetzee Werkwinkel	8
Compensation Fund	14,818
Eskom	1,366
OVK	939
SARS	17,283
Telkom	2,214
	<b>1,669,534</b>

**28.2 Irregular Expenditure**

Opening balance	1,394,175	1,285,733
-----------------	-----------	-----------

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**NOTES TO THE FINANCIAL STATEMENTS**

	2013	2012
	R	R
Irregular Expenditure incurred during the year	1,355,752	108,442
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
	<b>2,749,927</b>	<b>1,394,175</b>

*\*Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.*

**Irregular expenditure for the current year:**

**28.2.1 Transport**  
The invitation did not correspond with the quotation 15,000

**28.2.2 Accommodation**  
  
Only two quotations were provided. Lower accommodation price was not selected due to higher accommodation being the nearest - The Deviation from normal SCM processes was required 3,062  
One quote was attached and no invoice was received - The Deviation from the normal SCM processes was required 2,680  
Protea hotel was not the lowest quoted accommodation - The Deviation from the normal SCM processes was required 11,325

**28.2.3 Stationery**  
One quote was attached and no invoice was received - The Deviation from the normal SCM processes was required 31,488

**28.2.4 Accommodation, travelling and meals**

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	2013	2012
	R	R

One quote was attached and does not correspond with the selected provider - The Deviation from the normal SCM process was required

**28.2.5 The following were Deviations from the normal SCM procurement processes which constitute irregular expenditure:**

**A S De Jonge**

One quote was attached due to limited service provider in our jurisdiction

**Kevcor**

Normal SCM processes - One quotation was obtained, sewerage tools were ordered from the municipalities contracted supplier

**Masutsa**

Normal SCM process were not obtained - One quotation was obtained due to numerous complaints by residents to remove alien trees by the riverside bridge as a matter of urgency as it is becoming a hiding place for criminals

**Much Asphalt**

As a matter of urgency municipality allowed one quote to be utilised, due to the high volume of potholes in three towns that needed to be patched

**Protea Hotel OR Tambo**

One quotation was attached, due to the fact that the accommodation where the event was to be held was fully booked and also due to the fact that the nearest hotels were fully booked

**SAN Parks (Golden Hotel)**

10,000

6,000

7,347

3,000

14,000

4,141

**NALEDI LOCAL MUNICIPALITY  
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	2013 R	2012 R
--	-----------	-----------

Golden Gate Hotel was the only hotel which can avail accommodation and the nearest hotels are fully booked hence one quotation was acquired.

8,595

**TS Nchejane**

Qibing Tax Association refused to give quotation and also refuse to give Naledi Local Municipality any services, therefore the service of TS Transport was used (1 quotation)

6,000

**Xerox (Bytes Technology)**

One quote was attached due to limited service provider in our jurisdiction

2,711

**Delsie Nursery**

Normal SCM procedure- No any other Accomodation was available in Bloemfontein

25,000

**Eyethu Co-operation**

Normal SCM process - One quote was attached

10,000

**JC Grens Motors**

One quote was attached due to limited service provider in our jurisdiction

2,155

**JC Grens Motors**

One quote was attached due to limited service provider in our jurisdiction

2,530

**Leflaka Communications**

Tender advert was needed as matter of urgent because the project of paving in Wepener Hoogte & installation of 2000 water meters had to be implemented ASAP.

13,543



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	2013	2012
	R	R

**Mega Works Enterprise**

Higher quotation was selected instead of the lowest quote.

19,800

**Much Asphalt**

Normal SCM Process - One quote was attached

42,000

**Network & Computing Consultant(NCC)**

Normal SCM Process- Payslip printer was needed as matter of urgent

9,701

**Protea Hotel Karridine**

One quote was attached due to limited service provider in our jurisdiction

4,794

**Riverside Hotel & SPA**

Normal SCM process - One quote was requested & extension of one night

5,400

**Wepener Drukkers**

One quote was attached due to limited service provider in our jurisdiction

5,725

**Xhariep Independent**

Tender advert was needed as matter of urgent because the project of paving in Wepener Hoogte & installation of 2000 water meters had to be implemented ASAP.

12,000

28.2.6 Deviations from the normal procurement processes were incurred in respect of the following suppliers categorised in terms of the expenditure thresholds. Also see note 29 for details of the deviations:

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**Price: R2 000 to R10 000**

J C Grens Motors	2,530	
Protea Hotel	4,794	
Peermont Global (Pty) Ltd	9,360	
Peermont Global (Pty) Ltd	3,240	
Kevcor	8,691	
Lakewood Lodge	6,100	

**Price: R10 000 to R30 000**

Kevcor	24,422	
Thepa Trading	27,588	
Iponeng Catering	14,250	
Waltons	12,516	
Botra Bus Service	26,500	
Delsie Nursery	25,000	
Protea Hotel	15,283	
Mega Woks Enterprise	19,800	
Incredible Connections	28,900	

**Price: R30 000 to R200 000**

Much Asphalt	42,000	
Leverit Trading Enter	183,600	
TNJ Tours	32,670	
Flouriscent Trading 1002CC	69,000	
Mapeleshi Catering	66,000	
Maximum Profit Recov	95,553	
LC Power Pumps	58,140	
Kutu Stationers	35,021	
Dipontso Trading CC	58,296	

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Nkosiyabo General Trading			
Sure Grow			
		2013	2012
		R	R
			60,500
			148,000
<b>TOTAL</b>			<b>1,355,752</b>

**28.2.7 Potential irregular expenditure under investigation**

CHH Knauff			
BSCOM General Trading			
Kutu Stationers			
OVK			
			16,650
			29,433
			3,059
			98,985
			<b>148,127</b>

**28.3 Unauthorised Expenditure**

Opening balance	69,192,615		39,279,523
Unauthorised Expenditure - current year	685,382		29,913,092
Approved by Council or condoned	-		-
Transfer to receivables for recovery	-		-
	<b>69,877,997</b>		<b>69,192,615</b>

**Unauthorised expenditure for the current year was incurred in respect of the following Account Descriptions**

Acting allowances	7,833
Advisements	4,609
Bargaining Council	418
Bonus	47,839
Housing Subsidy	33,256



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	2013	2012
	R	R
Insurance Subsidy		49
Interest		6,242
Medical Aid		43,121
Overtime		46,472
Pension Fund		106,113
Provident Fund		5,094
Salary		2,329
Skills development levy		11,847
Transport Allowances		44,964
Travelling and Subsistence Costs		1,571
UIF		3,246
Waste Water Treatment		320,381
		<b>685,382</b>

29

**SCM Deviations**

**Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) Of Government gazette No. 27636 issued on Monday 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the records the reasons for any deviations and reports them to the next meeting of the municipality and includes a note to the financial statements.

There were deviations from the normal SCM processed incurred in the financial year under review. Refer to Note 28.2.5 under Irregular expenditure. A detailed register is also available for inspection.



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	2013 R	2012 R
--	-----------	-----------

No 3 quotations could be obtained for the following suppliers. These suppliers have already been disclosed under the Irregular expenditure disclosure Note 28.2.5

**R2 000 to R10 000**

JC Grens Motors  
Protea Hotel  
Kevcor

**R10 000 to R30 000**

Kevcor  
Thepa Trading  
Iponeng Trading  
Delsie Nursery

**R30 000 to R200 000**

Much Asphalt  
Maximum Profit Recov  
LC Power Pumps

The following suppliers which have already been disclosed under the Irregular expenditure disclosure Note 28.2.5 were not included in the database list of approved suppliers:

J C Grens Motors  
Protea Hotel  
Peermont Global (Pty)  
Kutu Stationers

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2013  
R

2012  
R

Kevcor  
Lakewood Lodge  
Botra Bus Service  
Mega Works Enterprise  
Incredible Connections  
Much Asphalt  
Levert Trading Enter  
TNJ Tours  
Maximum Profit Recov  
LC Power Pumps

The following supplier with the lowest quotation price was not selected. This supplier has already been disclosed under the Irregular expenditure disclosure Note 28.2.5

Price: R10 000 to R30 000

Mega Works Enterprise

No advertisement was made requesting suppliers to bid for the procurement of the goods required by the municipality. However, the following suppliers were selected. These suppliers have already been disclosed under the Irregular expenditure disclosure Note 28.2.5

Price: R30 000 to R200 000

Much Asphalt  
Levert Trading Enter  
TNJ Tours  
Flouriscent Trading 1002CC

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Mapeleshi Catering  
Maximum Profit Recov  
LC Power Pumps

2013  
R

2012  
R

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

29.1 Contributions to organised local government - SALGA

Opening balance	-	-
Council subscriptions	495,387	99,421
Amount paid - current	495,387	99,421
Amount paid - previous years	(400,000)	(99,421)
<b>Balance unpaid (included in payables)</b>	<b>95,387</b>	<b>-</b>

29.2 Audit fees

Opening balance	-	2,515,982
Current year audit fee	3,792,051	2,786,902
Amount paid - current year	(2,765,899)	(5,296,208)
Donations paid by Cogta to reduce the audit fee	(1,000,000)	-
Donations paid by National Treasury to reduce the audit fee	(1,203,663)	-
<b>Balance due (included in receivables)</b>	<b>(1,177,511)</b>	<b>6,676</b>

29.3 Material Losses through criminal conduct

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Opening balance	-	2012
Current year audit fee	-	R
Amount paid - current year	-	R
<b>29.4 VAT</b>		
VAT input receivables and VAT output payables are shown in note 4.	1,958,684	2,972,625

**29.5 Councillors' arrear consumer accounts**

The following Councillors had arrear accounts as at June 30, 2013

June 30, 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total current R
MM Mahase	511	4,280	4,792
ML Sehloho (Molise)	126	948	1,074
MD Mahloko	399	4,280	4,680
MM Seoko	399	4,356	4,755
MG Haddad	229	-	229
K Rakhunoano	184	2,507	2,691
J Makille	62	2,573	2,634
MG Tladi	62	276	338

**NALEDI LOCAL MUNICIPALITY  
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**NOTES TO THE FINANCIAL STATEMENTS**

The following Councillors had arrear accounts as at June 30, 2012

**June 30, 2012**

MM Mahase	314	11,431	11,745
ML Sehloho (Molise)	948	-	948
MD Mahloko	314	6,499	6,812
MM Seoko	370	10,406	10,777
MG Haddad	217	-	217
K Rakhunoano	85	2,136	2,221
J Makitle	197	2,008	2,204

**29.6 Distribution Losses**

Distribution Losses are from the purchase and sale of water and electricity.

<b>2013</b>	<b>Total Purchases</b>	<b>Total Sales</b>	<b>Total (Loss)/Profit</b>
Total kilowatts of electricity	-	-	-
Total kilolitres of water	6,969,142	3,973,047	(2,996,095)

Electricity was outsourced to Centlec. The municipality is merely acting as an agent on the purchase and sale of electricity

**29.7 Actual operating expenditure versus budgeted operating expenditure**

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure

**29.8 Pension and Medical Aid Deductions**



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**NOTES TO THE FINANCIAL STATEMENTS**

	2013	2012
	R	R
Opening balance	31,748	-
Current year payroll deductions and Council Contributions	4,837,408	2,997,394
Amount paid - current year	(4,837,408)	(2,965,646)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>31,748</b>	<b>31,748</b>
<b>29.9 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2,464,136	2,574,207
Amount paid - current year	(2,464,136)	(2,574,207)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**30 EVENTS AFTER THE REPORTING DATE**

At the date of this report, management was not aware of any other event or circumstance either than the one mentioned below, which have come to their attention after the end of the financial year, which may have a material impact on the information contained in these financial statements

**30.1 Financial claim**



**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

2013  
R

2012  
R

There is a dispute between Bahlekazi Attorneys and the municipality regarding a Financial claim instituted by the municipality as a Default judgement on the contract that had been entered into between the two parties. No settlement has been reached yet between the municipality and the claiming party.

**31 COMMITMENTS**

**31.1 Commitments in respect of capital expenditure:**

**Approved and contracted for:**

	Committed amount	Total amount spent	Committed but not yet spent
Construction of Low Level Bridge	6,694,010.56	6,675,233.49	18,777
Elevated Tank and Interlinking pipeline	19,579,581.58	6,475,717.99	13,103,864
Installing of 2000 Water Meters	5,626,093.86	1,148,899.83	4,477,194
Construction of Sports Facility	13,606,792.11	10,179,527.75	3,427,264
	<b>45,506,478</b>	<b>24,479,379</b>	<b>21,027,099</b>

**Approved but not yet contracted for**

-

**31.2 Commitments in respect of current expenditure:**

M/G unspent balance as at the end of current financial year

112,523

**Total**

21,139,622

**32 CONTINGENT LIABILITY / ASSET**





**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**32.1 MIIB**

The Municipality entered into an agreement for the installation of a SAP financial system. The matter has been taken to court because the Municipality believes that the contract was entered into illegally because SCM process were not followed

8,515,184

**32.2 Tankiso Griesel**

The Municipality is in the court battle with its former employee for unfair dismissal. The matter is in Labour Court of South Africa. If the Municipality loses they are to pay back the salary of the employees retrospectively from the date of termination of employment

399,755

**32.3 Other Cases**

N S Mgudlwa - unauthorised use of the Municipality vehicle and had an accident with the Municipality vehicle

T Nchejane - incorrectly paid amounts to Mr Nchejane. Possibility of a settlement as Mr T Nchejane admits that the Municipality made an error by making a payment which was more than what was due to him. Mr Nchejane has made a total payment amount of R10 000 during the current financial year.

10,520

Kovsie Country Lodge CC t/a Country Inn & Cabin - At the brink of being settled. Settlement offer has been referred to the municipality for decision.

Civil claim against Ms. Letele

**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

		2013 R	2012 R
<b>32.4 Landfill sites - Licences</b>			
	The Municipality does not have the landfill site licence. This will result to a possible fine of R10 million from Department of Environmental Affairs		10,000,000
<b>32.5 Disciplinary processes</b>			
	MSI applied to the labour court for review of the South African Local Government Bargaining Council (SALGBC). The outcome of the court case could result in the payment of legal costs and loss of income between the date of dismissal and the period of outcome in case the municipality loses the case. The expected completion of the court case is not specific as the date has not been issued by the Labour Court		150,000
<b>32.6 Conveyance</b>			
	There is a dispute between Carrol, van de Waal & Joubert and the municipality regarding the transportation of properties by the supplier. The dispute is still on going and the outcome is not certain.		
<b>33 DIVIDENDS RECEIVED</b>			
	OV/K		2,063
	Senwes& Senwesbel		998
			<b>3,061</b>
<b>34 ACCRUALS</b>			

**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

	2013	2012
	R	R
Boile Business		57,000.00
Free State Fleet		172,751.50
Mamello Trading		1,956.60
NCC		6,383.60
Ntelecom		7,519.00
Ovk		6,170.27
Telkom		21,359.34
Thokoa Trading		4,700.66
Universal College		12,500.00
UOFS		27,990.67
		<b>318,332</b>

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**BUDGET INFORMATION**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**APPENDIX A  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

<b>EXTERNAL LOANS</b>	<b>Balance at 6/30/2012</b>	<b>Received during the period</b>	<b>Adjustments</b>	<b>Redeemed written off during the period</b>	<b>Balance 6/30/2013</b>
<b>LONG- TERM LOANS</b>					
Centlec	210,734	-	-	(72,035)	138,700
Naledi Electrification	57,682	-	-	(4,437)	53,244
High Mast Lighting	65,205	-	-	(21,735)	43,470
Replacement of Domestic	203,299	-	-	(15,638)	187,661
Upgrading of Low Voltage Network	<b>651,125</b>	-	-	<b>(113,845)</b>	<b>423,075</b>
<b>LEASES</b>					
Finance Lease - 3 x VOIP Systems	308,304	-	-	(308,304)	0
Finance Lease - 4 x Gestetner MP161 MF	30,235	-	-	(30,235)	-
Finance Lease - 1 x Gestetner MP 2000 SPF	16,446	-	-	(16,446)	-
Finance Lease - 1 x Gestetner MP 2000	12,447	-	-	(12,447)	-
Finance Lease - 1 x Gestetner MP 1600 SP	12,159	-	-	(12,159)	-
Finance Lease - 1 x Gestetner MP 161 LN	7,559	-	-	(7,559)	-
Finance Lease - 7 x Gestetner SP 4110 N	54,842	-	-	(54,842)	-
Finance Lease - 1 x Gestetner C7521N	4,575	-	-	(4,575)	-
<b>Total leases</b>	<b>446,568</b>	-	-	<b>(446,568)</b>	<b>0</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>446,568</b>	-	-	<b>(446,568)</b>	<b>0</b>



**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**  
**UNAUDITED APPENDIX**

	HISTORICAL COST				ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions / Transfers	Under Construction	Derecognition	Closing Balance	Opening Balance	Additions / Transfers	Derecognition	
	R	R	R	R	R	R	R	R	R
<b>Building property</b>	<b>36,365,444</b>	<b>319,169</b>	<b>726,751</b>	<b>0</b>	<b>37,411,363</b>	<b>25,643,204</b>	<b>1,086,500</b>	<b>0</b>	<b>10,681,660</b>
<i>Housing</i>									
Social Housing	14,177,047	0	0	0	14,177,047	9,666,321	381,997	0	4,128,728
<i>Operational buildings</i>									
Municipal Offices	12,359,015	319,169	726,751	0	13,404,934	8,485,474	458,446	0	4,461,015
Stores	1,019,447	0	0	0	1,019,447	508,108	31,411	0	479,928
Workshops	8,809,936	0	0	0	8,809,936	6,983,301	214,646	0	1,611,988
<b>INFRASTRUCTURE</b>	<b>410,020,011</b>	<b>15,571,151</b>	<b>10,332,267</b>	<b>-633,864</b>	<b>435,289,565</b>	<b>212,529,005</b>	<b>13,658,088</b>	<b>-284,576</b>	<b>210,194,102</b>
<i>Electricity network</i>									
LV Network (<1000V)	26,119,782	0	0	0	26,119,782	15,701,178	750,012	0	9,668,592
MV Network (<=33kV)	32,162,091	0	0	0	32,162,091	16,273,100	670,545	0	15,218,446
<i>Roads and stormwater network</i>									
Road	111,373,684	1,615,331	462,725	-633,864	112,817,876	55,750,475	4,338,711	-284,576	53,013,266
Road Furniture	21,297,840	166,612	0	0	21,464,452	10,221,364	511,900	0	10,731,166
Road structures	4,492,364	0	0	0	4,492,364	3,154,311	56,155	0	1,281,898
Stormwater	25,591,672	5,462,396	0	0	31,054,068	14,510,024	1,158,352	0	15,385,692
<i>Sanitation network</i>									
									0



**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**  
**UNAUDITED APPENDIX**

	HISTORICAL COST				ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions / Transfers	Under Construction	Derecognition	Closing Balance	Opening Balance	Additions / Transfers	Derecognition	
	R	R	R	R	R	R	R	R	R
Outfall sewers	23,995,429	0	0	0	23,995,429	11,143,241	433,782	0	12,418,406
Pump stations - Sanitation	4,200,934	0	0	0	4,200,934	1,559,220	179,486	0	2,462,228
Sanitation Reticulation	50,464,611	0	0	0	50,464,611	24,451,645	1,076,488	0	24,936,478
Waste water treatment works (WWTW)	35,000,638	8,326,812	0	0	43,327,450	18,550,840	1,162,184	0	23,614,426
<i>Water supply network</i>									
Boreholes	2,871,768	0	0	0	2,871,768	555,400	129,573	0	2,186,795
Bulk Mains	1,250,743	0	0	0	1,250,743	603,188	17,873	0	629,683
Distribution	53,689,234	0	3,330,928	0	57,020,162	31,293,986	2,349,096	0	23,377,080
Pump stations	1,040,366	0	0	0	1,040,366	513,026	59,958	0	467,382
Reservoirs	15,153,652	0	6,538,614	0	21,692,266	6,831,530	693,599	0	14,167,137
Water treatment works (WTW)	1,315,203	0	0	0	1,315,203	609,423	70,374	0	635,406
<b>COMMUNITY ASSETS</b>	<b>66,232,883</b>	<b>0</b>	<b>11,828,245</b>	<b>0</b>	<b>78,061,128</b>	<b>34,267,778</b>	<b>2,342,330</b>	<b>0</b>	<b>41,451,020</b>
<i>Community facilities</i>									
Cemeteries / Crematoria	2,643,244	0	0	0	2,643,244	830,775	99,674	0	1,712,795
Clinics / Care centres	8,615,061	0	0	0	8,615,061	4,872,765	370,925	0	3,371,371
Crèches	518,062	0	0	0	518,062	337,457	14,734	0	165,871
Halls	19,224,745	0	0	0	19,224,745	9,702,643	681,731	0	8,840,371
Libraries	5,350,223	0	0	0	5,350,223	2,327,160	143,934	0	2,879,129
Refuse sites	2,282,911	0	0	0	2,282,911	828,568	54,566	0	1,399,777
Taxi ranks / Bus terminals	2,912,010	0	0	0	2,912,010	34,695	118,680	0	2,758,635



**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**  
**UNAUDITED APPENDIX**

	HISTORICAL COST					ACCUMULATED DEPRECIATION					
	Opening Balance	Additions / Transfers	Under Construction	Derecognition	Closing Balance	Opening Balance	Additions / Transfers	Derecognition	Impairment losses	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R		R	R
Sport and recreation facilities Outdoor sports facilities	24,686,628	0	11,828,245	0	36,514,873	15,333,715	858,086	0	0	16,191,801	20,323,072
	311,040	0	0	0	311,040	0	0	0	0	0	311,040
	136,222	0	0	0	136,222	0	0	0	0	0	136,222
	63,850	0	0	0	63,850	0	0	0	0	0	63,850
Water Servitudes	110,968	0	0	0	110,968	0	0	0	0	0	110,968
OTHER ASSETS	9,187,618	202,678	0	-4,173	9,386,122	4,607,281	931,733	-2,918		5,536,096	3,850,026
Emergency Equipment	1,527	0	0	0	1,527	1,068	306	0	0	1,374	153
Furniture and Fittings	953,060	34,158	0	0	987,218	443,297	138,642	0	0	581,939	405,279
Motor Vehicle	7,441,549	0	0	0	7,441,549	3,768,221	613,350	0	0	4,381,571	3,059,978
Office Equipment	703,196	168,520	0	-4,173	867,543	350,791	171,148	-2,918	0	519,021	348,522
Plant and Equipment	88,285	0	0	0	88,285	43,903	8,287	0	0	52,190	36,095
SPECIALISED VEHICLES	0	0	0	0	0	0	0	0	0	0	0
Fire/ Refuse	-				0	0				0	0
Office Machinery											
LEASED ASSETS	1,436,497	0	0	0	1,436,497	1,121,141	315,356	0		1,436,497	0
Office Machinery	1,436,497	0	0	0	1,436,497	1,121,141	315,356	0	0	1,436,497	0
TOTAL	523,553,492	16,092,998	22,887,262	-638,037	561,895,716	279,261,948	18,334,007	-287,494	0	295,407,867	266,487,849



NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013  
UNAUDITED APPENDIX

APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Impairment losses	Disposals	Closing Balance	
	R	R		R	R	R	R		R	R	R
EXECUTIVE COUNCIL	22,188,397	319,169	726,751	-	23,234,317	15,976,882	704,503	-	-	16,681,385	6,552,932
Executive Council	22,188,397	319,169	726,751	-	23,234,317	15,976,882	704,503		-	16,681,385	6,552,932
FINANCE & ADMINISTRATION	10,900,828	202,678	-	4,173	11,099,333	5,708,105	1,242,585	-	2,918	6,947,772	4,151,561
Finance	2,009,540	69,714	-	-	2,079,254	1,407,081	433,667			1,840,748	238,506
Technical Services	8,038,868	94,417	-	-	8,133,285	3,911,603	661,038			4,572,641	3,560,644
Municipal Manager Office	379,134	32,546	-	-	411,680	163,234	66,044			229,279	182,401
Corporate Services	358,164	6,000	-	-	359,991	163,326	64,693		-2,918	225,101	134,890
Community Services	115,123	-	-	-	115,123	62,860	17,143			80,003	35,119
PLANNING & DEVELOPMENT	17,524	-	-	-	17,524	9,189	2,695	-	-	11,884	5,640
Local Economic Development	17,524	-	-	-	17,524	9,189	2,695			11,884	5,640
ROAD TRANSPORT	162,755,560	7,244,339	462,725	633,864	169,828,760	71,636,174	6,065,118	-	284,576	77,416,716	92,412,044
Vehicle licensing & testing	-	-	-	-	-	-			-	-	-
Roads & stormwater	136,965,356	7,244,339	462,725	-633,864	144,038,556	70,260,499	5,497,063		284,576	75,472,986	68,565,570
Roads other	25,790,204	-	-	-	25,790,204	1,375,675	568,055		-	1,943,730	23,846,474
HEALTH	8,615,061	-	-	-	8,615,061	4,872,765	370,925	-	-	5,243,690	3,371,371
Clinics	8,615,061			-	8,615,061	4,872,765	370,925		-	5,243,690	3,371,371
Health other	-			-	-	-			-	-	-
COMMUNITY & SOCIAL SERVICES	27,736,274	-	-	-	27,736,274	13,535,492	940,073	-	-	14,475,565	13,260,709
Libraries & archives	5,350,223	-	-	-	5,350,223	2,327,160	143,934		-	2,471,094	2,879,129





**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013  
UNAUDITED APPENDIX**

**APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**

Community halls & facilities	19,742,807	-	-	19,742,807	10,377,557	696,465	-	11,074,022	8,668,785
Cemeteries & crematoriums	2,643,244	-	-	2,643,244	830,775	99,674	-	930,449	1,712,795
<b>PUBLIC SAFETY</b>									
Fire	-	-	-	-	-	-	-	-	-
Traffic	-	-	-	-	-	-	-	-	-
<b>ENVIRONMENTAL PROTECTION</b>									
Environmental Protection	-	-	-	-	-	-	-	-	-
<b>SPORT &amp; RECREATION</b>									
Sport & recreation	24,686,628	-	11,828,245	-	36,514,873	858,086	-	16,191,801	20,323,072
	24,686,628		11,828,245	-	36,514,873	858,086		16,191,801	20,323,072
<b>WASTE WATER MANAGEMENT</b>									
	113,661,612	8,326,812	-	121,988,424	55,704,946	2,851,940	-	58,556,886	63,431,538
Sewerage	113,661,612	8,326,812	-	121,988,424	55,704,946	2,851,940	-	58,556,886	63,431,538
Public toilets	-	-	-	-	-	-	-	-	-
<b>WASTE MANAGEMENT</b>									
Solid waste	2,282,911	-	-	2,282,911	884,075	54,566	-	938,641	1,344,270
	2,282,911			2,282,911	884,075	54,566		938,641	1,344,270
<b>HOUSING</b>									
Housing	14,177,047	-	-	14,177,047	9,666,321	381,997	-	10,048,318	4,128,728
	14,177,047			14,177,047	9,666,321	381,997		10,048,318	4,128,728
<b>Taxi ranks / Bus terminals</b>									
Taxi ranks / Bus terminals	2,912,010	-	-	2,912,010	34,695	118,680	-	153,375	2,758,635
	2,912,010			2,912,010	34,695	118,680		153,375	2,758,635
<b>WATER</b>									
Water distribution	75,320,966	-	9,869,542	-	85,190,508	40,406,553	3,320,472	43,727,025	41,463,483
Water storage	60,167,314		3,330,928		63,498,242	33,575,023	2,626,873	36,201,896	27,296,346
	15,153,652		6,538,614		21,692,266	6,831,530	693,599	7,525,129	14,167,137
<b>ELECTRICITY</b>									
	58,281,873	-	-	58,281,873	31,974,278	1,420,557	-	33,394,835	24,887,038

NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013  
UNAUDITED APPENDIX

APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

Electricity distribution	58,281,873	-	58,281,873	31,974,278	1,420,557	-	33,394,835	24,887,038
Street lighting	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>523,536,689</b>	<b>16,092,998</b>	<b>561,878,912</b>	<b>265,743,190</b>	<b>18,332,197</b>	<b>287,494</b>	<b>283,787,893</b>	<b>278,091,020</b>



**NALEDI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013  
AUDITED APPENDIX  
Appendix D  
ACTUAL OPERATING VERSUS BUDGET**

	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %	Explanations of significant variances greater than 10% versus budget
<b>REVENUE</b>					
Property rates	6,573,597.68	8,467,000.00	(1 893 402)	-22%	The budget was adjusted and taking into consideration the actual of the first six months of the financial year
Service charges	26,575,913.53	7,278,000.00	19 297 914	265%	higher consumption than expected
Finance Income	258,982.20	-	258 982	100%	miscommunication between Municipality and Centlec
Dividends	3,060.68	5,000.00	( 1 939)	-39%	due to inflation rate
Government grants and subsidies	58,552,271.89	58,145,000.00	407 272	1%	
Rental of facilities and equipment	318,711.45	311,000.00	7 711	2%	
Fair Value Gains	-	-	-	0%	
Donations Received	2,203,663.21	-	2 203 663	100%	Department of Cogta and Treasury paid on behalf of the municipality the outstanding fees towards the end of the financial year of which was not budgeted for
Other Revenue	1,707,482.07	28,567,000.00	(26 859 518)	-94%	
<b>Total Revenue</b>	<b>96 193 683</b>	<b>102 773 000</b>	<b>(6 579 317)</b>		
<b>EXPENDITURE</b>					
Employee related costs	23 404 100	24,905,000.00	(1 500 900)	-6%	
Remuneration of councillors	1 943 364	1,818,000.00	125 364	7%	
Depreciation and amortisation expense	18 334 008	1,700,000.00	16 634 008	978%	due to the assets that was not in the good possession.
Bad debts	-	-	0	0%	it's a non cash item
Finance costs	1 731 528	82,000.00	1 649 528	2012%	
Repairs and maintenance	2 725 844	1,199,000.00	1 526 844	127%	the municipality hired the service level vehicles and its reduced the spending
Bulk purchases	19 882 569	29,097,000.00	(9 214 431)	-32%	miscommunication between Municipality and Centlec
General expenses	19 220 462	19,692,000.00	( 471 538)	-2%	
Fair Value Loss	-	-	-	0%	
Other Payments	-	-	-	0%	miscommunication between Municipality and Centlec
<b>Total Expenditure</b>	<b>87 241 875</b>	<b>78 493 000</b>	<b>8 748 875</b>		
<b>NET (SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>8 951 808</b>		<b>(15 328 192)</b>		



**NALEDI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**  
**AUDITED APPENDIX**  
**Appendix E1**

**Segmental statement of financial performance**

Figures in Rand

2012				2013		
Actual Income	Actual Expenditure	Surplus/ (Deficit)	Description	Actual Income	Actual Expenditure	Surplus/ (Deficit)
15,355,585	10,308,628	5,046,957		15,443,832	11,862,667	3,581,165
15,724,787	25,876,791	(10,152,003)	Executive and Council	15,815,156	29,004,596	(13,189,440)
2,846,654	3,097,646	(250,991)	Finance and Administration	2,863,014	3,498,581	(635,567)
901,909	76,059	825,850	Corporate Services	907,092	83,187	823,905
-	434,372	(434,372)	Planning and Development	-	490,594	(490,594)
99,818	20,175	79,643	Health	100,391	22,787	77,605
228,214	225,720	2,494	Community and Social Services	229,526	255,413	(25,887)
-	-	-	Housing	-	-	-
5,829,600	2,381,798	3,447,802	Public Safety	5,863,102	2,690,079	3,173,023
-	-	-	Sport and Recreation	-	-	-
3,460,627	1,393,269	2,067,358	Environmental Protection	3,480,515	1,573,603	1,906,912
10,050,635	3,962,526	6,088,108	Waste Management	10,108,394	4,475,404	5,632,990
16,711,526	6,736,087	9,975,440	Roads	16,807,566	7,607,953	9,199,613
18,062,599	19,551,465	(1,488,867)	Water	18,166,402	22,082,053	(3,915,650)
6,335,103	3,250,411	3,084,691	Electricity	6,371,510	3,671,119	2,700,391
36,970	239,845	(202,875)	Sewerage	37,182	273,127	(235,945)
<b>95,644,027</b>	<b>77,554,792</b>	<b>18,089,234</b>	<b>Total</b>	<b>96,193,683</b>	<b>87,591,163</b>	<b>8,602,520</b>



**NALEDI LOCAL MUNICIPALITY**

**AUDITED APPENDIX**

**Appendix F  
Disclosures of Grants and Subsidies in terms of Section 123  
MFMA, 56 of 2003**

Names of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld of funds	Did your municipality comply with the conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance	Additional information on how a grant was spent per Vote
		September	December	March	June	Total	September	December	March	June	Total		
Equitable share	National Treasury	15,493,000.00	12,394,000.00	9,295,000.00	-	37,182,000.00	15,493,000.00	12,394,000.00	9,295,000.00	-	37,182,000.00	n/a	Indingents
Municipal Infrastructure Grant (MIG)	National Treasury	6,698,000.00	4,310,000.00	6,155,000.00	-	17,163,000.00	2,440,904.00	2,303,683.00	2,936,756.00	9,736,254.22	17,417,597.22	n/a	Infrastructure and PMU
Financial Management Grant (FMG)	National Treasury	1,500,000.00	-	-	-	1,500,000.00	543,048.47	340,437.43	217,512.22	399,001.88	1,500,000.00	n/a	Finance
MSIG	National Treasury	800,000.00	-	-	-	800,000.00	292,435.00	287,752.00	52,100.00	55,190.00	687,477.00	n/a	Municipal manager and Planning and Development
EPWP	National Treasury	400,000.00	300,000.00	300,000.00	-	1,000,000.00	450,533.00	32,000.00	467,821.00	49,646.00	1,000,000.00	n/a	Public Works and Sanitation
INEP (Municipality)	National Treasury	500,000.00	-	-	-	500,000.00	-	-	-	500,000.00	500,000.00	n/a	Electricity
		<b>25,391,000.00</b>	<b>17,004,000.00</b>	<b>15,750,000.00</b>	<b>-</b>	<b>58,145,000.00</b>	<b>19,219,920.47</b>	<b>15,357,872.43</b>	<b>12,969,189.22</b>	<b>10,740,092.10</b>	<b>58,287,074.22</b>		

**Note:** A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Municipal Governance and Administration	39,161,000	4,612,000	43,773,000	43,773,000	34,122,002	9,650,998	78%	87%	33,927,027
Executive and council	12,801,000	4,419,000	17,220,000	17,220,000	15,443,832	1,776,168	90%	121%	15,355,585
Budget and Treasury Office	20,050,000	47,000	20,097,000	20,097,000	15,815,156	4,281,844	79%	79%	15,724,787
Corporate Services	6,310,000	146,000	6,456,000	6,456,000	2,863,014	3,592,986	44%	45%	2,846,654
Community and Public Safety	7,954,000	666,000	8,620,000	8,620,000	6,193,019	2,426,981	72%	78%	6,157,632
Community and Social Services	6,764,000	1,513,000	8,277,000	8,277,000	5,963,494	2,313,506	72%	88%	5,929,418

## Appendix G1 -

240

## Appendix G1 -

**Total Revenue -  
Standard**



## 242

## Appendix G1 -

**Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended June 30, 2013**

[illegible]

## Appendix G3

## Appendix G3

2011/20  
12246

## Appendix G3

for the year ended June 30, 2013

## Expenditure by Type

## Appendix G3

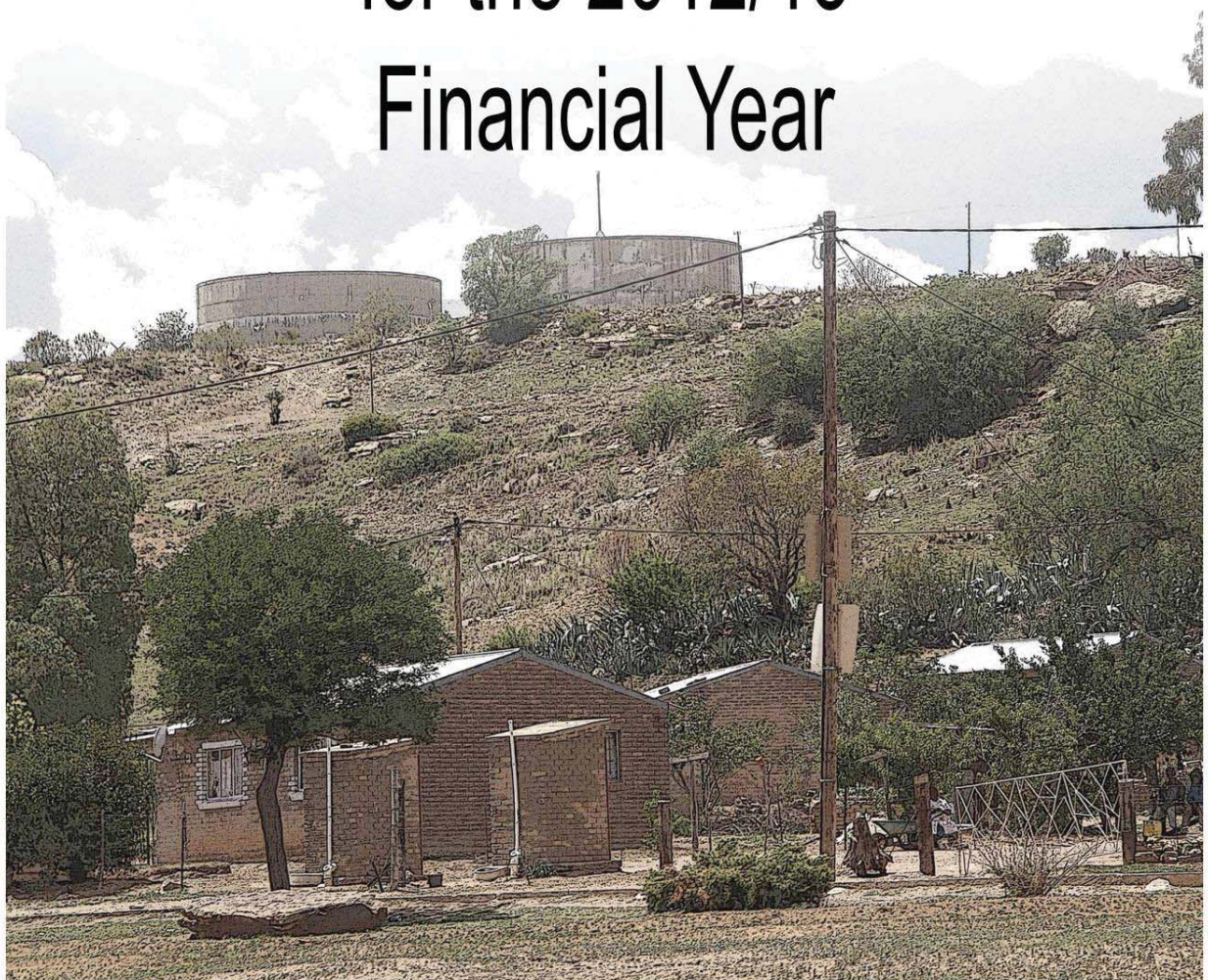
for the year ended June 30, 2013

Surplus/(Deficit) for the year



# Chapter 8

Report of the  
Auditor-General  
for the 2012/13  
Financial Year





## **Component A: Report of the Auditor-General: 2012/2013**

**REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE  
AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the financial statements of the Naledi Local Municipality out on pages 162 to 248, which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets, cash flows for the year then ended, the statement of comparison of budget and actual amounts, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-general's responsibility**

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for disclaimer of opinion**

**Property, plant and equipment**

4. The municipality did not have adequate systems and controls in place to account for property, plant and equipment, which resulted in an understatement of property, plant and equipment by R2 836 460. In addition, I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment due to an inadequate management, accounting and information system to account for property, plant and equipment and the filing system not functioning effectively. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to property, plant and equipment stated at R266 176 809 (2012: R245 879 844) in note 6 to the financial statements was necessary.

**Accumulated surplus**

5. The municipality did not disclose the total revenue and expense for the period and the effect of accounting errors in accordance with GRAP 1, *Presentation of financial statements*, which resulted in the accumulated surplus balance as at 30 June 2011 and the surplus of 2012 being understated by R121 994 627 and R139 712 respectively, and the prior period errors being overstated by R122 134 339. The municipality also did not disclose the detail of the restatements made for prior year errors, as required by GRAP 1, *Presentation of financial statements*, and GRAP 3, *Accounting policies, changes in accounting estimates and errors*. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of

accumulated surplus amounting to R260 065 676 (2012: R243 110 690) as disclosed in the statement of financial position and in the statement of changes in net assets due to supporting documentation that could not be obtained, as well as the limitation on other balances in the statement of financial position. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for accumulated surplus.

#### **Unauthorised expenditure**

6. The municipality disclosed unauthorised expenditure in the financial statements that was not in terms of the definition of unauthorised expenditure. Unauthorised expenditure was therefore overstated by R685 381 (2012: understated by R864 582). In addition, I was unable to obtain sufficient appropriate audit evidence regarding unauthorised expenditure due to the lack of evidence that management had properly identified, investigated and recorded all unauthorised expenditure transactions during the current and prior years, the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to support and account for and identify unauthorised expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure stated at R69 877 997 (2012: R69 192 615) in note 28.3 to the financial statements was necessary.

#### **Revenue from non-exchange transactions**

7. The municipality did not have adequate systems and controls in place to account for revenue from non-exchange transactions, which resulted in an understatement of government grants and subsidies and property rates of R265 379 (2012: overstated by R1 120 031) and R546 103 (2012: R2 480 622) respectively. In addition, I was unable to obtain sufficient appropriate audit evidence regarding government grants and subsidies, donations received, as well as property rates, due to an inadequate management, accounting and information system to account for revenue and the filing system not functioning effectively. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to government grants and subsidies, donations received and property rates stated at R58 552 272 (2012: R47 653 959), R2 203 663 (2012: R17 507 467) and R6 573 598 (2012: R3 790 107), respectively, in note 16 and 18 to the financial statements and in the statement of financial performance were necessary.

#### **Expenditure**

8. The municipality did not have adequate systems in place to account for expenditure, which resulted in bulk purchases and general expenditure being overstated by R2 914 716 and R2 585 888 (2012: understated by R5 950 373) respectively, and repairs and maintenance being understated by R137 778 (2012: overstated by R581 422). In addition, I was unable to obtain sufficient appropriate audit evidence regarding repairs and maintenance, bulk purchases, as well as general expenses, due to an inadequate management, accounting and information system to account for expenditure and the filing system not functioning effectively. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to repairs and maintenance, bulk purchases and general expenses stated at R2 725 844 (2012: R324 625), R19 882 569 (2012: R10 346 646) and R19 220 462 (2012: R14 792 323) respectively, in the statement of financial performance and notes 24 and 25 to the financial statements were necessary.

### Trade and other payables

9. The municipality did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1, *Presentation of financial statements*, which resulted in trade and other payables being understated by R1 487 747 (2012: R5 768 224). The municipality also did not accurately account for payments made in advance, which resulted in trade and other payables and other receivables being understated by R1 170 835. In addition, I was unable to obtain sufficient appropriate audit evidence regarding trade and other payables due to an inadequate management, accounting and information system to account for trade and other payables and the filing system not functioning effectively. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to trade and other payables stated at R28 859 503 (2012: R27 155 491) in note 12 to the financial statements was necessary.

### Revenue from exchange transactions

10. The municipality did not have adequate systems and controls in place to account for revenue from exchange transactions, which resulted in an overstatement of service charges and other revenue by R924 194 (2012: understated by R47 310 480) and R1 410 241 respectively. In addition, I was unable to obtain sufficient appropriate audit evidence regarding service charges as well as other revenue due to an inadequate management, accounting and information system to account for revenue, the filing system not functioning effectively and services not calculated and charged on a monthly basis. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to service charges and other revenue stated at R26 575 914 (2012: R25 962 270) and R1 707 482 (2012: R318 904) respectively, in notes 14, 17 and 29 to the financial statements were necessary.

### Employee-related costs

11. The municipality did not have adequate systems in place to account for employee-related costs, which resulted in an understatement of employee-related costs by R94 631. In addition, I was unable to obtain sufficient appropriate audit evidence regarding employee-related costs due to an inadequate management, accounting and information system to account for employee-related costs and the filing system not functioning effectively. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to employee-related costs stated at R23 404 100 in note 20 to the financial statements were necessary.

### Capital commitments

12. The municipality did not have adequate systems in place to accurately account for unrecognised contractual commitments at year-end, which resulted in capital commitments as disclosed in note 31 to the financial statements being overstated by R9 846 594 (2012: R715 043).
13. The municipality did not disclose the capital commitments in accordance with GRAP 17. The prior year capital commitments should be disclosed as at 30 June 2012 in note 31.

#### Consumer debtors

14. The municipality did not have adequate systems and controls in place to account for consumer debtors, which resulted in an understatement of consumer debtors by R2 866 735 (2012: R56 277 880). The municipality also did not measure consumer debtors at amortised cost in accordance with GRAP 104, *Financial instruments*, and did not recognise the provision for impairment loss in accordance with GRAP 104, as the basis for the calculation of the impairment did not comply with the stipulations of GRAP 104. The municipality did not comply with these requirements in the current and prior years. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of consumer debtors disclosed as R19 094 807 (2012: R16 750 441) in note 3 to the financial statements. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for consumer debtors.

#### Financial instruments

15. The municipality did not disclose the carrying amounts of each category of financial instrument, the nature and extent of risks arising from financial instruments to which the municipality was exposed and how the municipality managed those risks in accordance with GRAP 104, *Financial instruments*. The municipality did not comply with these requirements in the current and prior years. In the absence of appropriate records and information, I was unable to determine the correct disclosure of these financial instruments as it was impracticable to do so.

#### Contingent liabilities

16. The municipality did not disclose all contingent liabilities in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets*. Employees' job evaluations were not completed and employees were not paid according to the wage scales and rates in the wage curve agreement and did not receive the nine months retrospective increase. The contingent liability was, however, not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence regarding contingent liabilities due to the lack of legal confirmations on pending claims and claims not disclosed. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to contingent liabilities stated at R19 075 459 (2012: undisclosed) in note 32 to the financial statements was necessary.

#### Depreciation and amortisation

17. The municipality did not have adequate systems in place to account for depreciation, which resulted in an overstatement of depreciation by R113 845. In addition, I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation due to the limitation placed on my audit of property, plant and equipment. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to depreciation and amortisation stated at R18 334 008 (2012: R18 998 391) in note 22 to the financial statements were necessary.

#### Fruitless and wasteful expenditure

18. The municipality duplicated fruitless and wasteful expenditure in the financial statements that resulted in fruitless and wasteful expenditure being overstated by R2 335 405 (2012: 164 634). In addition, I was unable to obtain sufficient appropriate audit evidence regarding fruitless and

wasteful expenditure due to the lack of evidence that management had properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior years, the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to support and account for and identify fruitless and wasteful expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to fruitless and wasteful expenditure stated at R8 610 152 (2012: R6 940 618) in note 28.1 to the financial statements was necessary.

#### **Irregular expenditure**

19. The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements, resulting in irregular expenditure being understated by R4 277 444 (2012: R3 862 433). In addition, I was unable to obtain sufficient appropriate audit evidence regarding irregular expenditure due to the lack of evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the current and prior years, the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to support and account for, and identify, irregular expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure stated at R2 749 927 (2012: R1 394 175) in note 28.2 to the financial statements was necessary.

#### **Employee benefits**

20. IAS 19, *Employee benefits*, outlines the recognition and requirements pertaining to employee benefits. Contrary to these requirements, the municipality did not disclose post -retirement benefits and long service awards for the current and prior years. In the absence of appropriate records and information, I was not able to determine the full extent of the misstatement in employee benefits as it was impracticable to do so.

#### **Provisions**

21. GRAP 19, *Provisions, contingent liabilities and contingent assets*, requires that a provision should be made for the municipality's present obligation incurred as a consequence of its past use of landfill sites. Contrary to these requirements, a provision was not made for the environmental rehabilitation costs of restoring the municipality's landfill sites for the current and prior years. In the absence of appropriate records and information, I was unable to determine the full extent of the misstatement in provisions as it was impracticable to do so.

#### **Investment property**

22. I was unable to obtain sufficient appropriate audit evidence regarding investment property due to an inadequate management, accounting and information system to account for investment property and the filing system not functioning effectively. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to investment property stated at R2 520 000 (2012: R2 520 000) in note 7 to the financial statements was necessary.

#### **Related parties**

23. The municipality did not disclose the remuneration of councillors in accordance with GRAP 20, *Related-party disclosures*, and as required by section 124(1)(a) of the MFMA. The



remuneration of councilors stated in note 21 should be disclosed per person. The municipality did not comply with these requirements in the current and prior years.

#### **Consumer deposits**

24. I was unable to obtain sufficient appropriate audit evidence regarding consumer deposits due to the lack of evidence that management had properly charged and accounted for all consumer deposits. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to consumer deposits stated at R560 683 (2012: R400 622) in note 10 to the financial statements was necessary.

#### **Value-added tax receivable**

25. The municipality did not have adequate systems and controls in place to account for value-added tax (VAT), which resulted in an overstatement of VAT during 2012 by R6 008 851. In addition, I was also unable to obtain sufficient appropriate audit evidence regarding VAT receivable due to an inadequate management, accounting and information system to account for VAT, and the general ledger accounts for VAT could not be reconciled to the VAT calculations. In addition, cases were identified where input VAT was erroneously claimed and VAT was charged on exempt supplies. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to VAT receivable stated at R354 664 (2012: R2 972 625) in note 4 to the financial statements was necessary.

#### **Unspent conditional grants**

26. The municipality did not have adequate systems and controls in place to account for unspent conditional grants, which resulted in an understatement of unspent conditional grants of R565 234 (2012: R1 120 032). In addition, I was unable to obtain sufficient appropriate audit evidence regarding unspent conditional grants due to the lack of accurate reconciliations between the opening balance of unspent grants and the balance unspent at the end of the financial year. In addition, documentation to establish if all transactions took place according to the conditions of each grant and whether the expenditure against the grants should have been transferred to revenue in the statement of financial performance could not be supplied. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment relating to unspent conditional grants stated at R112 523 (2012: R3 568 835) in note 13 to the financial statements was necessary.

#### **Budget**

27. The municipality did not disclose the final approved budget figures in the financial statements in accordance with GRAP 24, *Presentation of budget information in financial statements*. Therefore material differences were identified between the budgeted amounts disclosed in the financial statements and the final approved budget. This resulted in the amounts disclosed in the statement of comparison of budget and actual amounts to be materially misstated.

#### **Cash and cash equivalents**

28. During 2012, I had been unable to obtain sufficient appropriate audit evidence regarding cash and cash equivalents. I had been unable to confirm cash and cash equivalents by alternative means. Consequently, I had been unable to determine whether any adjustment relating to cash and cash equivalents stated at R6 645 627 had been necessary. My audit opinion on the financial statements for the period ended 30 June 2012 had been modified accordingly. My

opinion on the current period's financial statements was also modified because of the possible effect of this matter on the comparability of the current period's figures.

#### **Distribution losses**

29. The municipality did not calculate and disclose the value of electricity distribution losses in the current and prior years and water distribution losses in the prior year in accordance with section 125(2)(d)(i) of the MFMA. In addition, I was unable to obtain sufficient appropriate audit evidence about water distribution losses of R2 996 095 disclosed in the current year. I was unable to confirm distribution losses by alternative means. Consequently, I was unable to determine whether any adjustment to distribution losses stated at R2 996 095 in note 29.6 to the financial statements was necessary.

#### **Leases**

30. The municipality did not disclose the minimum lease payments, contingent rents, present value of future lease payments and a general description of the leasing arrangements, in accordance with GRAP 13, *Leases*. As the municipality did not keep complete and accurate records, I was not able to determine the full extent of the misstatement regarding operating lease disclosure and the finance lease liability, stated at R0 (2012: R446 568), respectively, in the financial statements, as it was impracticable to do so.

#### **Financial sustainability**

31. As a result of the matters described in the basis for disclaimer of opinion paragraphs, the municipality may be in a worse financial position than the position reflected in these financial statements. The difficulties being experienced by the municipality in recovering its consumer debtors, the potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period indicate that there is a risk that the municipality may be exposed to serious financial difficulties in terms of section 138 of the MFMA. The financial statements did not disclose any details of the uncertainty and were prepared on a going concern basis. The municipality's accounting records did not provide sufficient appropriate audit evidence whether the municipality would be able to continue as a going concern.

#### **Cash flow statement**

32. I was unable to obtain sufficient appropriate audit evidence regarding the cash flow statement due to the limitations placed on my audit of various components of the financial statements as well as differences between my calculations and amounts disclosed in the cash flow statement. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustments relating to the cash flow statement in the financial statements were necessary.

#### **Aggregation of immaterial uncorrected misstatements**

33. The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, and the statement of financial performance and the notes to the financial statements:
- Finance cost reflected as R1 731 528 was understated by R174 953.
  - Accruals reflected as R318 332 in note 34 was overstated by R318 332.



34. In addition, I was unable to obtain sufficient appropriate audit evidence and I was unable to confirm the following elements by alternative means.

- Finance cost of R345 491 as included in the disclosed balance of R1 731 528.
- Borrowings of R432 436 (2012: R537 281) as included in the disclosed balance of R423 436 (2012: R537 281).
- Loss with disposal of assets of R349 288 as included in the disclosed balance of R349 288.

As a result, I was unable to determine whether any adjustments to these elements were necessary.

#### **Disclaimer of opinion**

35. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

#### **Emphasis of matters**

36. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### **Material losses and impairments**

37. As disclosed in notes 3 and 29.6 to the financial statements, material losses to the amount of R31 214 044 and R2 996 095, respectively, were incurred as a result of the write-off of irrecoverable trade debts and distribution losses incurred.

#### **Material underspending of the budget**

38. As disclosed in appendix G1, *Expenditure*, to the financial statements, the municipality materially underspent the budget on all votes to the amount of R20 034 127. As a consequence, the municipality did not achieve its objectives as set out in its integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP).

#### **Additional matter**

39. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Unaudited supplementary schedules**

40. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

41. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

#### **Predetermined objectives**

42. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.

43. The reported performance against predetermined objectives was evaluated against the overall

criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

44. The material findings are as follows:

#### **Usefulness of information**

45. Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for 61% of the planned targets not achieved were not reflected in the annual performance report. This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information.
46. Section 41(c) of the MSA requires that the IDP and the SDBIP should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 43% of the reported objectives, 88% of the reported indicators and 94% of the reported targets were not consistent with the objectives, indicators and targets as per the approved IDP and the SDBIP. This was due to the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles contained in it.
47. The FMPPI requires that performance targets be measurable. The required performance could not be measured for all the targets. This was due to the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles contained in it.
48. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 24% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles contained in it.
49. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 100% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information.

#### **Reliability of information**

50. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to basic service delivery.

This was due to the fact that the institution could not provide sufficient appropriate evidence in support of the information presented with respect to the basic service delivery.

#### **Compliance with laws and regulations**

51. I performed procedures to obtain evidence that the municipality had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

#### **Strategic planning and performance management**

52. No evidence could be obtained that the municipality afforded the local community at least 21 days to comment on the final draft of its integrated development plan before the plan was submitted to the council for adoption, as required by regulation 15(3) of the Municipal Planning and Performance Management (MPPM).
53. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
54. The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(b) and (c) of the MSA.
55. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls, as required by section 62(1)(c)(i) of the MFMA.

#### **Budget**

56. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
57. Sufficient appropriate audit evidence could not be obtained that quarterly reports were submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

#### **Annual financial statements, performance and annual reports**

58. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
59. The financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
60. Late submission of the annual financial statements to the auditor-general for auditing was not appropriately addressed by the mayor and municipal council, as required by section 133(1) of the MFMA.
61. The council's oversight report on the 2011-12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.
62. The annual performance report for the year under review does not include:

- the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote, as required by section 121(3)(f) of the MFMA.
- particulars of any corrective action taken or to be taken in response to issues raised in the audit report, as required by section 121(3)(g) of the MFMA.
- the report of the audit committee, as required by section 121(3)(j) of the MFMA.

#### **Audit committee**

63. The audit committee did not advise the council on matters relating to risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
64. The audit committee did not advise the council and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
65. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with legislation, as required by section 166(2)(b) of the MFMA.
66. The audit committee did not respond to the council on the issues raised in the audit reports of the auditor-general, as required by section 166(2)(c) of the MFMA.
67. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by MPPM regulation 14(4)(a)(ii).
68. No proof could be obtained that the audit committee did submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPM regulation 14(4)(a)(iii).

#### **Internal audit**

69. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and report to the audit committee on matters relating to accounting procedures and practices and loss control.
70. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the audit committee, as required by MPPM regulation 14(1)(c).

#### **Procurement and contract management**

71. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, as required by SCM regulation 17(a) and (c).
72. Quotations were accepted from prospective providers who were not registered on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulations 16(b) and 17(b).
73. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids and that deviations were approved by the accounting officer only if it was impractical to invite competitive bids, as required by the municipality's SCM regulation 19(a).

74. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a).
75. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality, as required by SCM regulation 27(3).
76. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
77. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as required by SCM regulation 28(2).
78. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by SCM regulations 21(b) and 28(1)(a) and Preferential Procurement Regulations.
79. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
80. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM regulation 28(1)(a).
81. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
82. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by of section 2(1)(f) of the PPPFA.
83. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
84. Sufficient appropriate audit evidence could not be obtained that the contract performance and monitoring measures and methods were sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
85. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) and CIDB regulation 18.
86. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
87. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were

awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

88. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which was fair, equitable, transparent and competitive, as most of the bidding documentation could not be provided for audit purposes.

#### **Human resource management and compensation**

89. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1)(b) of the MSA.
90. The competencies of financial and SCM officials and the chief financial officer were not assessed in a timely manner in order to identify and address gaps in competency levels, as required by regulation 13 of the Municipal Regulations on Minimum Competency Levels.
91. Sufficient appropriate audit evidence could not be obtained that the newly appointed municipal manager submitted proof of previous employment prior to appointment, as per the requirements of regulation 4 of the Municipal Performance Regulations for municipal managers and managers directly accountable to the municipal manager (GNR 805).
92. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by regulation 14(2)(b) of the Municipal Regulations on Minimum Competency Levels.
93. Sufficient appropriate audit evidence could not be obtained that the municipality developed and adopted appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff, as required by section 67(1)(d) of the MSA.
94. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and the relevant provincial treasury, as required by regulation 14(2)(a) of the Municipal Regulations on Minimum Competency Levels.

#### **Expenditure management**

95. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
96. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.
97. An adequate management, accounting and information system was not in place, which recognised expenditure when it was incurred, accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.
98. Reasonable steps were not taken to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.



### **Conditional grants received**

99. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.
100. The allocation for the Municipal Systems Improvement Grant was used for purposes other than those stipulated in the grant framework, in contravention of section 16(1) of DoRA.
101. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, the Integrated National electrification Programme (Municipal) Grant, the Local Government Financial Management Grant and the Municipal Systems Improvement Grant and did not submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of DoRA.
102. Sufficient appropriate audit evidence could not be obtained that the municipality timeously submitted project registration forms, for projects it intended to implement in the 2013-2014 financial year, to the provincial Department of Local Government, as required by the Division of Revenue Grant Framework (DoRGF), Government Gazette No. 35399.
103. Sufficient appropriate audit evidence could not be obtained that the municipality submitted project implementation plans to the national department ((Cooperative Governance Traditional Affairs (CoGTA)), as required by the DoRGF.
104. Sufficient appropriate audit evidence could not be obtained that the municipality registered its master plans for bulk infrastructure with the Integrated National Electrification Programme, as required by the DoRGF.
105. The municipality did not submit MFMA implementation plans to the National Treasury to address weaknesses in financial management, as required by the DoRGF.
106. Sufficient appropriate audit evidence could not be obtained that the municipality submitted its signed activity plan and in the prescribed format to the national department (CoGTA), as required by the DoRGF.
107. Unspent conditional grant funds not committed to identifiable projects and not approved by the National Treasury for retention were not surrendered to the National Revenue Fund, as required by section 21(1) of DoRA.

### **Revenue management**

108. A credit control and debt-collection policy was not implemented for the entire year, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.
109. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for revenue, debts and accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.
110. An effective system of internal control for debts and revenue was not in place, as required by section 64(2)(f) of the MFMA.
111. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
112. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

### **Asset management**

- 113. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 114. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

### **Consequences management**

- 115. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
- 116. Irregular expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
- 117. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

### **Liability management**

- 118. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
- 119. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

### **Internal control**

- 120. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

- 121. Political oversight was not effective. The municipality has a history of political instability and violence. Furthermore, interference into the daily duties of officials took place.
- 122. The leadership was reluctant to exercise effective oversight due to the risk of political and other interference.
- 123. There was a slow response to the message communicated by the Auditor-General of South Africa (AGSA) to the administrative and political leadership. This resulted in many significant matters in the action plan not being addressed timeously.

### **Financial and performance management**

- 124. A lack of consequences for poor performance resulted in various non-compliance with laws and regulations re-occurring, as well as insufficient record-keeping.
- 125. A lack of competencies was identified, especially at the SCM unit. This resulted in regular and accurate financial and performance reports not being compiled with. Furthermore, it contributed to the occurrence of irregular expenditure.



## **Governance**

126. The internal audit unit was not adequately capacitated and functioning, impacting negatively on the implementation and evaluation of internal controls.
127. The audit committee did not adequately promote accountability and service delivery by evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations mainly due to the ineffective functioning of the internal audit unit.

Bloemfontein

20 December 2013



**A U D I T O R - G E N E R A L**  
**S O U T H   A F R I C A**

*Auditing to build public confidence*

## **Component B: Action Plan**

Audit Action Plan

2012/2013 Financial Year

NO.	PARAGRAPH DESCRIPTION	ISSUES RAISED BY AUDITOR GENERAL	PROPOSED SOLUTION	TARGET DATE	RESPONSIBLE OFFICIAL
1.	PROPERTY, PLANT AND EQUIPMENT	The municipality did not have adequate systems and controls in place to account for property, plant and equipment, which resulted in an understatement of property, plant and equipment by R2 836 460. In addition, I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment due to an inadequate management, accounting and information system to account for property, plant and equipment and the filing system not functioning effectively. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to property, plant and equipment stated at R266 176 809 (2012: R245 879 844) in note 6 to the financial statements was necessary.	<p>Review and update the asset register on monthly basis for existence and completeness;</p> <p>Conduct monthly asset counts and update the asset register accordingly;</p> <p>Conduct monthly reconciliation on the asset register against the financial system;</p> <p>Request the assistance from the appointed service provider to ensure compliance with the provisions of GRAP 17.</p>	30 June 2014	Chief Financial Officer
2.	ACCUMULATED SURPLUS	The municipality did not disclose the total revenue and expense for the period and the effect of accounting errors in accordance with GRAP 1, <i>Presentation of financial statements</i> , which resulted in the accumulated surplus balance as at 30 June 2011 and the surplus of 2012 being understated by R121 994 627 and R139 712 respectively, and the prior period errors being overstated by R122 134 339. The municipality also did not disclose the detail of the restatements made for prior year errors, as required by GRAP 1, <i>Presentation of</i>	The management will investigate the discrepancies identified and make corrections and file supporting documentation for audit purposes.	30 June 2014	Chief Financial Officer

		<p><i>financial statements, and GRAP 3, Accounting policies, changes in accounting estimates and errors.</i> In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of accumulated surplus amounting to R260 065 676 (2012: R243 110 690) as disclosed in the statement of financial position and in the statement of changes in net assets due to supporting documentation that could not be obtained, as well as the limitation on other balances in the statement of financial position. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for accumulated surplus.</p>			
3.	UNAUTHORISED EXPENDITURE	<p>The municipality disclosed unauthorised expenditure in the financial statements that was not in terms of the definition of unauthorised expenditure. Unauthorised expenditure was therefore overstated by R685 381 (2012: understated by R864 582). In addition, I was unable to obtain sufficient appropriate audit evidence regarding unauthorised expenditure due to the lack of evidence that management had properly identified, investigated and recorded all unauthorised expenditure transactions during the current and prior years, the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to support and account for and identify unauthorised expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to</p>	<p>Make necessary correction on the financial statements to ensure correct classification of the line items;</p> <p>The management will endeavour to identify, investigate, record and report to council any possible recoveries and amount to be authorised.</p>	30 June 2014	Chief Financial Officer

		unauthorised expenditure stated at R69 877 997 (2012: R69 192 615) in note 28.3 to the financial statements was necessary.			
4.	REVENUE FROM NON EXCHANGE TRANSACTIONS	The municipality did not have adequate systems and controls in place to account for revenue from non-exchange transactions, which resulted in an understatement of government grants and subsidies and property rates of R265 379 (2012: overstated by R1 120 031) and R546 103 (2012: R2 480 622) respectively. In addition, I was unable to obtain sufficient appropriate audit evidence regarding government grants and subsidies, donations received, as well as property rates, due to an inadequate management, accounting and information system to account for revenue and the filing system not functioning effectively. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to government grants and subsidies, donations received and property rates stated at R58 552 272 (2012: R47 653 959), R2 203 663 (2012: R17 507 467) and R6 573 598 (2012: R3 790 107), respectively, in note 16 and 18 to the financial statements and in the statement of financial performance were necessary.	<p>The management will advertise for the development of the main property valuation roll;</p> <p>Reconcile the new valuation roll with the financial system;</p> <p>(EX.62) (65) Obtain the relevant supporting documentation and file for audit purposes;</p> <p>Establish a proper filing system of the municipal documents;</p> <p>(EX.94) The management will investigate the matter and make necessary correction on the GL and TB;</p> <p>(EX 99) The matter will be investigated and necessary corrections will be made;</p> <p>(EX.153) The management will follow up the matter and file the relevant supporting documentation for audit purposes.</p>	30 June 2014	Chief Financial Officer
5.	EXPENDITURE	The municipality did not have adequate systems in place to account for expenditure, which resulted in bulk purchases and general expenditure being overstated by R2 914 716 and R2 585 888 (2012: understated by R5 950 373) respectively, and repairs and maintenance being understated by R137 778 (2012: overstated by	<p>The management will obtain the identified supporting documentations and file for audit purposes;</p> <p>(EX 80) The management will investigate the matter and make necessary corrections to the AFS;</p>	30 May 2014	Chief Financial Officer

		<p>R581 422). In addition, I was unable to obtain sufficient appropriate audit evidence regarding repairs and maintenance, bulk purchases, as well as general expenses, due to an inadequate management, accounting and information system to account for expenditure and the filing system not functioning effectively. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to repairs and maintenance, bulk purchases and general expenses stated at R2 725 844 (2012: R324 625), R19 882 569 (2012: R10 346 646) and R19 220 462 (2012: R14 792 323) respectively, in the statement of financial performance and notes 24 and 25 to the financial statements were necessary.</p>	<p>(EX.153) The management will follow up the matter and file the relevant supporting documentation for audit purposes.</p>		
6.	TRADE AND OTHER PAYABLES	<p>The municipality did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1, <i>Presentation of financial statements</i>, which resulted in trade and other payables being understated by R1 487 747 (2012: R5 768 224). The municipality also did not accurately account for payments made in advance, which resulted in trade and other payables and other receivables being understated by R1 170 835. In addition, I was unable to obtain sufficient appropriate audit evidence regarding trade and other payables due to an inadequate management, accounting and information system to account for trade and other payables and the filing system not functioning effectively. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any</p>	<p>(EX.52) The management will put internal control in place to ensure that all the recons are performed on monthly basis;</p> <p>(EX.61) The management will investigate the various line items in the accumulated surplus and make necessary corrections;</p> <p>(EX.65) The management will obtain relevant supporting documentation and file for audit purposes;</p> <p>(EX.109) The management will put internal control in place to ensure that all the recons are performed on monthly basis;</p> <p>(EX.130)</p>	30 May 2014	Chief Financial Officer

		<p>adjustment relating to trade and other payables stated at R28 859 503 (2012: R27 155 491) in note 12 to the financial statements was necessary.</p>	<p>The issues raised by the AG will be investigated and necessary corrections will be made;</p> <p>(EX.142) The management will follow up the matter and make necessary amendment to the AFS;</p> <p>(EX.153) The management will follow up the matter and file the relevant supporting documentation for audit purposes.</p>		
7.	REVENUE FROM EXCHANGE TRANSACTION	<p>The municipality did not have adequate systems and controls in place to account for revenue from exchange transactions, which resulted in an overstatement of service charges and other revenue by R924 194 (2012: understated by R47 310 480) and R1 410 241 respectively. In addition, I was unable to obtain sufficient appropriate audit evidence regarding service charges as well as other revenue due to an inadequate management, accounting and information system to account for revenue, the filing system not functioning effectively and services not calculated and charged on a monthly basis. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to service charges and other revenue stated at R26 575 914 (2012: R25 962 270) and R1 707 482 (2012: R318 904) respectively, in notes 14, 17 and 29 to the financial statements were necessary.</p>	<p>(EX.30) Identify all the households without proper metering and not levied;</p> <p>Installation of meters in all identified households;</p> <p>Review the credit control policy to apply the flat rate on all unmetered households;</p> <p>(EX.36) The management will investigate the matter and file the supporting documentation for audit purposes;</p> <p>(EX.62) a. The management will investigate the matter and file the supporting documents for audit purposes; b. Necessary amendment will be made to the financial statements ; c. The matter will be corrected in the GL; d. The matter will be corrected in the GL; e. The management will put internal controls in place to ensure</p>	30 May 2014	Chief Financial Officer

			<p>that all reconciliations are conducted;</p> <p>f. The management will ensure that rental agreements and registers are developed and signed by the relevant parties;</p> <p>g. The municipality will develop a list of all metered households;</p> <p>h. Follow up with the office of Auditor General to obtain the supporting documentation for the donation from National Treasury.</p> <p>(EX.77)</p> <p>a. Investigate the identified households not metered and levied for completeness and existence;</p> <p>b. The difference will be investigated and necessary corrections will be made;</p> <p>(EX.82)</p> <p>The difference will be investigated and necessary corrections will be made;</p> <p>(EX.83)</p> <p>The management will advertise for the development of the main property valuation roll;</p> <p>(EX.85)</p> <p>The management will reverse the identified journal and make necessary amendments to the AFS.</p>		
8.	EMPLOYEE RELATED COSTS	I was unable to obtain sufficient appropriate audit evidence regarding employee related costs as well as remuneration of councillors due to supporting documentation that could not be obtained for payment made.	<p>(EX.65)</p> <p>The management will obtain the supporting documentation for the identified journals and file for audit purposes;</p> <p>(EX.130)</p>	30 May 2014	Chief Financial Officer



		I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to employee related costs and remuneration of councillors stated at R23 404 100 and R1 943 364 respectively in note 20 and 21 to the financial statements were necessary	The management will investigate the difference and make necessary corrections;  (EX.133) The management will obtain the supporting documentation requested and file for audit purpose;		
9.	CAPITAL COMMITMENTS	I was unable to obtain sufficient appropriate audit evidence regarding commitments due to the lack of a proper contract management system for the identification and recognition of contracts, a complete contract register or any other documents to enable me to quantify the commitments. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments relating to commitments stated at R21 139 622 (2012: R0) in note 31 to the financial statements were necessary.	(EX.103) The management will investigate the differences identified and make necessary corrections on the AFS.	30 May 2014	Chief Financial Officer
10.	CONSUMER DEBTORS	The municipality did not have adequate systems and controls in place to account for consumer debtors, which resulted in an understatement of consumer debtors by R2 866 735 (2012: R56 277 880). The municipality also did not measure consumer debtors at amortised cost in accordance with GRAP 104, <i>Financial instruments</i> , and did not recognise the provision for impairment loss in accordance with GRAP 104, as the basis for the calculation of the impairment did not comply with the stipulations of GRAP 104. The municipality did not comply with these requirements in the current and prior years. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the balance of consumer debtors disclosed as	(EX.24) The management will appoint a service provider to assist with impairment of the accounts receivable.  (EX.39) The management will obtain identified supporting documentation and file for audit purposes;  (EX.50) The management will obtain identified supporting documentation and file for audit purposes;  (EX.61) The management will obtain identified supporting documentation and file for audit purposes  (EX.65)	30 May 2014	Chief Financial Officer

		R19 094 807 (2012: R16 750 441) in note 3 to the financial statements. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for consumer debtors.	The management will obtain identified supporting documentation and file for audit purposes		
11.	FINANCIAL INSTRUMENTS	The municipality did not disclose the carrying amounts of each category of financial instrument, the nature and extent of risks arising from financial instruments to which the municipality was exposed and how the municipality managed those risks in accordance with GRAP 104, <i>Financial instruments</i> . The municipality did not comply with these requirements in the current and prior years. In the absence of appropriate records and information, I was unable to determine the correct disclosure of these financial instruments as it was impracticable to do so.	(EX.15) The management will investigate the discrepancies and make necessary amendments to the AFS.	30 June 2014	Chief Financial Officer
12.	CONTINGENT LIABILITIES	The municipality did not disclose all contingent liabilities in accordance with GRAP 19, <i>Provisions, contingent liabilities and contingent assets</i> . Employees' job evaluations were not completed and employees were not paid according to the wage scales and rates in the wage curve agreement and did not receive the nine months retrospective increase. The contingent liability was, however, not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence regarding contingent liabilities due to the lack of legal confirmations on pending claims and claims not disclosed. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether	(EX.97) The management will obtain the identified confirmations for legal claims and file for audit purposes;  The management will investigate the discrepancies relating to the comparisons and make necessary correction to the AFS;	30 June 2014	Chief Financial Officer

		any adjustment relating to contingent liabilities stated at R19 075 459 (2012: undisclosed) in note 32 to the financial statements was necessary.			
13.	DEPRECIATION AND AMORTISATION	The municipality did not have adequate systems in place to account for depreciation, which resulted in an overstatement of depreciation by R113 845. In addition, I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation due to the limitation placed on my audit of property, plant and equipment. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to depreciation and amortisation stated at R18 334 008 (2012: R18 998 391) in note 22 to the financial statements were necessary.	Request the assistance from the appointed service provider to ensure compliance with the provisions of GRAP 17.	30 June 2014	Chief Financial Officer
14.	FRUITLESS AND WASTEFUL EXPENDITURE	The municipality duplicated fruitless and wasteful expenditure in the financial statements that resulted in fruitless and wasteful expenditure being overstated by R2 335 405 (2012: 164 634). In addition, I was unable to obtain sufficient appropriate audit evidence regarding fruitless and wasteful expenditure due to the lack of evidence that management had properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior years, the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to support and account for and identify fruitless and wasteful expenditure. I was unable to confirm the balance disclosed by alternative means.	(EX.153) The management will investigate the identified duplication of the expenditure and make corrections of the AFS;  The management will follow up the matter and file the relevant supporting documentation for audit purposes.	30 June 2014	Chief Financial Officer

		Consequently, I was unable to determine whether any adjustment relating to fruitless and wasteful expenditure stated at R8 610 152 (2012: R6 940 618) in note 28.1 to the financial statements was necessary.			
15.	IRREGULAR EXPENDITURE	<p>The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements, resulting in irregular expenditure being understated by R4 277 444 (2012: R3 862 433). In addition, I was unable to obtain sufficient appropriate audit evidence regarding irregular expenditure due to the lack of evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the current and prior years, the limitations placed on the scope of the work performed relating to expenditure and the lack of a proper system of internal control to support and account for, and identify, irregular expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure stated at R2 749 927 (2012: R1 394 175) in note 28.2 to the financial statements was necessary.</p>	<p>(EX.91) The management will investigate the matter and put controls in place to prevent reoccurrences of errors;</p> <p>(EX.111) The management will obtain the identified supporting documentation and file for audit purposes;</p> <p>The management will put controls in place to ensure that all provisions of the supply chain management policy have been adhered to and all bid committees are established in compliance with the policy;</p> <p>(EX.112) a. The management will obtain the identified bid registers and file for audit purposes; b. The management will obtain the identified AFS, municipal rates and tax clearances and file the supporting documentation for audit purposes; c. The management will investigate the differences and make necessary corrections to the AFS.</p>	30 May 2014	<p>Chief Financial Officer</p> <p>Director Technical Services</p>
16.	EMPLOYEE BENEFITS	IAS 19, <i>Employee benefits</i> , outlines the recognition and requirements pertaining to employee benefits. Contrary to these requirements, the municipality did not disclose post-retirement benefits and long service awards for the current and prior years. In the	The management will appoint actuarial scientist to assist with the estimates for post-retirement benefits and long service awards for the current and prior years.	30 June 2014	Chief Financial Officer

		absence of appropriate records and information, I was not able to determine the full extent of the misstatement in employee benefits as it was impracticable to do so.			
17.	PROVISIONS	GRAP 19, <i>Provisions, contingent liabilities and contingent assets</i> , requires that a provision should be made for the municipality's present obligation incurred as a consequence of its past use of landfill sites. Contrary to these requirements, a provision was not made for the environmental rehabilitation costs of restoring the municipality's landfill sites for the current and prior years. In the absence of appropriate records and information, I was unable to determine the full extent of the misstatement in provisions as it was impracticable to do so.	The management will appoint the actuarial scientist to assist the municipality with the estimates for the current and prior years.	30 June 2014	Chief Financial Officer  Director Technical Services
18.	INVESTMENT PROPERTY	I was unable to obtain sufficient appropriate audit evidence regarding investment property due to an inadequate management, accounting and information system to account for investment property and the filing system not functioning effectively. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to investment property stated at R2 520 000 (2012: R2 520 000) in note 7 to the financial statements was necessary.	Request the assistance from the appointed service provider to ensure compliance with the provisions of GRAP 17 and related standards.	30 June 2014	Chief Financial Officer
19.	RELATED PARTIES	The municipality did not disclose the remuneration of councillors in accordance with GRAP 20, <i>Related-party disclosures</i> , and as required by section 124(1)(a) of the MFMA. The remuneration of councilors stated in note 21 should be disclosed per person. The municipality did not comply with these requirements in the current and prior years.	(EX.15) The management will follow up the matter and make necessary amendments to the AFS.	30 June 2014	Chief Financial Officer

20.	CONSUMER DEPOSITS	I was unable to obtain sufficient appropriate audit evidence regarding consumer deposits due to the lack of evidence that management had properly charged and accounted for all consumer deposits. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to consumer deposits stated at R560 683 (2012: R400 622) in note 10 to the financial statements was necessary.	(EX.65) The management will obtain the identified supporting documentation and file for audit purposes;  (EX.73) The management will investigate the matter and make necessary corrections on the system, GL, TB and AFS. The management will develop the consumers deposits register.	30 May 2014	Chief Financial Officer
21.	VALUE ADDED TAX	The municipality did not have adequate systems and controls in place to account for value-added tax (VAT), which resulted in an overstatement of VAT during 2012 by R6 008 851. In addition, I was also unable to obtain sufficient appropriate audit evidence regarding VAT receivable due to an inadequate management; accounting and information system to account for VAT, and the general ledger accounts for VAT could not be reconciled to the VAT calculations. In addition, cases were identified where input VAT was erroneously claimed and VAT was charged on exempt supplies. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to VAT receivable stated at R354 664 (2012: R2 972 625) in note 4 to the financial statements was necessary.	(EX.30) The management will investigate the matter and put internal control in place to avoid reoccurrence of the errors;  (EX.77) The management will investigate the matter and put internal control in place to avoid reoccurrence of the errors;  (EX.82) The management will investigate the matter and put internal control in place to avoid reoccurrence of the errors;  (EX.83) The management will investigate the matter and put internal control in place to avoid reoccurrence of the errors;  (EX.85) The management will investigate the matter and put internal control in place to avoid reoccurrence of the errors;  (EX.109) The management will investigate the differences	30 May 2014	Chief Financial Officer

			<p>identified and make necessary corrections to the system and the GL;</p> <p>(EX.125) The management will put internal controls in place to ensure compliance with VAT Act;</p> <p>The management will put internal controls in place to ensure that VAT recons are performed and reviewed on monthly basis.</p> <p>The management will put internal control in place to ensure that VAT 201's are submitted on timeous basis.</p> <p>(EX.153) The management will follow up the matter and file the relevant supporting documentation for audit purposes.</p>		
22.	UNSPENT CONDITIONAL GRANTS	<p>The municipality did not have adequate systems and controls in place to account for unspent conditional grants, which resulted in an understatement of unspent conditional grants of R565 234 (2012: R1 120 032). In addition, I was unable to obtain sufficient appropriate audit evidence regarding unspent conditional grants due to the lack of accurate reconciliations between the opening balance of unspent grants and the balance unspent at the end of the financial year. In addition, documentation to establish if all transactions took place according to the conditions of each grant and whether the expenditure against the grants should have been transferred to revenue in the statement of financial performance could not be supplied. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to</p>	<p>(EX.61) (EX.65) The management will obtain the identified supporting documentation and file for audit purposes;</p> <p>(EX.91) The management will investigate the matter and put controls in place to prevent reoccurrences of errors;</p>	30 June 2014	Chief Financial Officer

		determine whether any further adjustment relating to unspent conditional grants stated at R112 523 (2012: R3 568 835) in note 13 to the financial statements was necessary.			
23.	BUDGET	The municipality did not disclose the final approved budget figures in the financial statements in accordance with GRAP 24, <i>Presentation of budget information in financial statements</i> . Therefore material differences were identified between the budgeted amounts disclosed in the financial statements and the final approved budget. This resulted in the amounts disclosed in the statement of comparison of budget and actual amounts to be materially misstated.	(EX.79) The management will investigate the differences and make necessary correction on appendix G1 of the AFS.	30 May 2014	Chief Financial Officer
24.	CASH AND CASH EQUIVALENTS	During 2012, I had been unable to obtain sufficient appropriate audit evidence regarding cash and cash equivalents. I had been unable to confirm cash and cash equivalents by alternative means. Consequently, I had been unable to determine whether any adjustment relating to cash and cash equivalents stated at R6 645 627 had been necessary. My audit opinion on the financial statements for the period ended 30 June 2012 had been modified accordingly. My opinion on the current period's financial statements was also modified because of the possible effect of this matter on the comparability of the current period's figures.	The management will put internal controls in place to ensure that bank recons are performed reviewed on monthly basis;  The management will develop a document management system to ensure that supporting documentation is filed for audit purposes;	30 May 2014	Chief Financial Officer
25.	DISTRIBUTION LOSSES	The municipality did not calculate and disclose the value of electricity distribution losses in the current and prior years and water distribution losses in the prior year in accordance with section 125(2) (d) (i) of the MFMA. In addition, I was unable to obtain sufficient appropriate audit evidence	(EX.15) (EX.85) The management will endeavour to make correct calculations and make corrections on the AFS;	30 June 2014	Chief Financial Officer



		<p>about water distribution losses of R2 996 095 disclosed in the current year. I was unable to confirm distribution losses by alternative means.</p> <p>Consequently, I was unable to determine whether any adjustment to distribution losses stated at R2 996 095 in note 29.6 to the financial statements was necessary.</p>			
26.	LEASES	<p>The municipality did not disclose the minimum lease payments, contingent rents, present value of future lease payments and a general description of the leasing arrangements, in accordance with GRAP 13, <i>Leases</i>. As the municipality did not keep complete and accurate records, I was not able to determine the full extent of the misstatement regarding operating lease disclosure and the finance lease liability, stated at R0 (2012: R446 568), respectively, in the financial statements, as it was impracticable to do so.</p>	<p>The management will investigate the matter and make necessary corrections to the AFS.</p>	30 May 2014	Chief Financial Officer